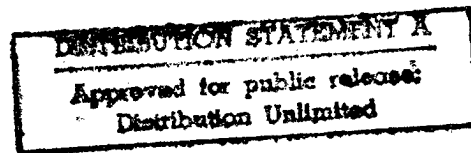


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# East Europe Report



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## EAST EUROPE REPORT

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ECONOMY

CZECHOSLOVAKIA

PLANT DIRECTOR RELIEVED FOR INCOMPETENCE; SUPERVISORS FAULTED

Prague RUDE PRAVO in Czech 1 Aug 86 p 3

[Article by Vaclav Pergl: "The Lesson to be Learned from One Case of Suppressed Criticism"]

[Text] Comrade Jirina Svobodova, an employee at the Okres Industrial Enterprise Kladno located in Slany, wrote a letter to a higher party agency in which she openly and honorably pointed out mistakes in the management of the enterprise. She also called attention to other shortcomings, including suppression of criticism.

The letter was written in September of last year. The Kraj Control and Audit Commission of the CPCZ and the Okres Control and Audit Commission conducted an investigation; the Committee of People's Control of the ONV [Okres National Committee] in Kladno conducted a follow up. This June the complaint was resolved with a decision that it was justified.

The shortcomings that had been criticized were confirmed. Moreover, the checkup revealed other errors in the economic dealings of the enterprise in question, its personnel work, the keeping of proper working hours by some employees of the enterprise management, shortcomings in inventory control, and measures adopted in accordance with the Letter of the CPCZ Central Committee leadership on intensifying the effectiveness of the fight against violations of the principles of socialist legality, morality, and discipline.

And the main reason? Insufficient control and resulting errors in the management of several key employees of the enterprise, particularly the director, Vladimir Lacina.

What is the basis of these shortcomings? It is difficult to establish clearly. However, it is mainly inconsistency: inconsistency in the activities of the enterprise director and the party organizations, but also, in their own way, by the Okres National Committee in Kladno, which controls the enterprise, and the party okres committee.

## A Distinctive Approach

Comrade Vladimir Lacina became director of the Okres Industrial Enterprise in Slany at the beginning of 1985. It appeared that he was well-trained for this demanding economic function. He had worked in the enterprise for six years; he was a lawyer, the head of the director's secretariat, chairman of the union organization, and a candidate to the party; and he had graduated from the Evening University of Marxism-Leninism. The former director, Comrade Jaroslav Hobza, who retired, recommended him as the only candidate to the vacant position. The party organization agreed with the proposal.

At first the new director tried. He took good care of capital construction and fulfilled other tasks.

But some aspects of his distinctive approach soon started to appear. Instead of reacting to new needs as a key employee, instead of thinking independently and creatively and taking responsibility on himself, he chose the easier tactic of fighting against the plan. He looked less and less for ways to fulfill the plan and he came up more and more with reasons why it could not be fulfilled. The party organization, unfortunately, supported this attitude. It was not demanding of the economic leadership and did not have its own opinion. Certainly, it is possible more than once to have reservations about the system of planning the work of the enterprises controlled by the national committees [which the Czech Planning Commission also has about the Kladno ONV], but as soon as the plan is approved, it is the duty of the economic employees to fulfill it.

Last year the plan for the Okres Industrial Enterprise was reduced but, nevertheless, it did not fulfill its services to the populace and its profits did not even reach the level of 1984. This alone should have told the okres national committee something. Even the party okres committee did not have to deal with the fact that the party organization was not carrying out a consistent fight for fulfilling the plan. It is no wonder that this year the situation repeated itself. In accepting the demanding plan, the same old song was heard from the economic leadership.

The ONV properly discussed their attitude toward the tasks with the enterprise management and charged them with necessary measures for correction. However, these actions were only partially adopted. Comrade Lacina increasingly rejected the advice of the ONV officials and piled mistake upon mistake.

The Committee of people's control in the enterprise uncovered other deficiencies concerning inadequate protection of socialist economic matters and work discipline. It furnished proof of overpayment of travel expenses and irregularities in financial bookkeeping, as well as the fact that other measures which were intended to prevent unjustifiable enrichment were not carried out. It also demonstrated deficiencies in making contracts and working agreements.

Not only the director but also his deputies were responsible for the mistake. Economic deputy director Vaclav Hykl received a reprimand from the VLK [Committee of People's Control] and was fined 2,000 korunas. Trade deputy Frantisek Novak got a reprimand. Eng Jindrich Lacina, the official in charge of the trade department [this is the director's father, who was the deputy director for trade at the time his son took over the director's function and who was advised to leave the enterprise, but did not also get a reprimand.] Vlasta Vejrazkova, head of the cadre and personnel unit, also received a reprimand. The VLK of the ONV also gave Vladimir Lacina a reprimand and a fine of 4,500 cs. All were jointly reprimanded for inconsistent control activities.

#### Notice Given Because of Criticism

There were plenty of shortcomings. Comrade Svobodova spoke of them first in a party group and later at a membership meeting. But her well-intentioned words came flying back at her like a boomerang. She therefore decided to write to a higher party agency. This was fully in keeping with the conclusions of the 15th Plenum of the CPCZ Central Committee, which emphasized that without criticism and self-criticism it is not possible to envisage healthy development in the party and society and the healthy atmosphere necessary for uncovering shortcomings and mobilizing forces to overcome them. The party statutes oblige communists to apply and develop party criticism and self-criticism and to fight against the suppression of criticism.

Life is life. There are still plenty of us for whom such principles are so much hot air. It appears that they applaud these principles, but in practice they do something else. They have two faces and two sets of morals. For some comrades and even party members in the Okres Industrial Enterprise in Slany, J. Svobodova made people uncomfortable with her criticism. As long as she was not making criticisms, no very serious remarks were made about her work and often she even received bonuses. Then the other side of the coin came up. Finally, she was designated a "splinter group" together with one other comrade. She was illegally given notice without an opportunity to defend herself. When she appealed to the chairman of the ONV, the notice was withdrawn. Suddenly, however, she received new notice, which the director gave her personally. She was forbidden to enter the work area.

Under the director's influence, this was discussed by the party organization and at the March membership meeting of the ZO [basic organization] of the CPCZ. They approved his proposal that Comrade Svoboda have her membership in the CPCZ withdrawn for an alleged criminal act, for removing official documents and taking them to the judge, which she confirmed by her signature. This occurred without discussion in the committee and without a party investigation. Unfortunately the membership meeting mechanically approved the proposal. The dissenting committee recognized its mistake only later. The resolution of the membership meeting was later revoked.



It is embarrassing that events went so far and that almost no one from the party organization supported the opinion of Comrade Svobodova about irregularities in the enterprise, even though most comrades must have known about them. The Committee did not discuss the critical signals and appropriate conclusions were not reached. The party members allowed themselves to be influenced by several persons for whom the approach of criticism and self-criticism is totally foreign. The director and several other key personnel did not see criticism as a comradely warning which should result in correction of shortcomings, but rather interpreted it as a personal attack.

We discussed this with Comrade Svobodova. In the interests of truth, we must state that she did not always proceed as she should have. She has her own problems and the work collective recognizes them. Her conduct and behavior in the party group was excessively emotional. But this does not alter the fact that the disclosure which she made honorably was justifiable.

#### Removal from the Position

In cases where a person is persecuted for criticism, it is necessary, as the 17th CPCZ Congress emphasized, to proceed most strictly and always keep in mind that one cannot gamble with people's trust.

On the basis of the results of disciplinary proceedings against Comrade Lacina, the leadership of the OV [okres committee] of the CPCZ in Kladno approved his removal from his position by 30 June 1986 and gave him a party punishment, a reprimand. It took into consideration that he is a young communist who has been in the party only a short time. The function of director of OPP [Okres Industrial Enterprise] Slany was entrusted to 38-year old Petr Brtinsky, who had proved himself as chief of a section of the OPS [Okres Services Enterprise]. He is taking over the enterprise when the plan for the first half of the year has not fulfilled.

A meeting was called in the enterprise at which the conclusions of the People's Control Commission of the ONV and the leadership of the CPCZ okres committee in Kladno were explained.

At this point the request had been met. But it would be very simple to condemn Vladimir Lacina and say that he was responsible for everything. He is a young person whose abilities will be effectively utilized elsewhere than in management. In his own comments on his performance evaluation, he expressed surprise that he had changed so much in the year and a half since he had assumed post. Supposedly no one had pointed out his mistakes before.

It is hard to judge these words. It is up to those who earlier evaluated his work to consult their own conscience and answer how objective they were concerning this young man and whether their one-sided positive evaluation did not harm rather than help him. This shows how deceptive formally produced performance evaluation can be and how often such formalities are written, judgements with no teeth in them, just to avoid any conflict that might arise around the truth.

Yes, it would be simple to condemn Comrade Lacina. He made lots of mistakes and must learn a serious lesson from them. But the ONV and OV of the CPCZ also share in the blame. Their managers knew that they were moving a young man without political or managerial experience into the job of director, and it was therefore twice as necessary to help him and to increase control of his work substantially. Shortcomings would not have had to grow into serious political and moral damage.

At first the party okres committee did not recognize what was going on in the basic organization or the fact that the OV of the CPCZ activist, Comrade Engineer Jaroslav Kolar, did not do his job. In order to understand what was going on, he should have been at the organization much more often than just a few times a year.

The chairman of the party organization, Comrade Ladislav Novak, has had his job just since the annual membership meeting. He is an honest party member. However, he was not able to pull the committee together and keep events under control. He should have been provided more help from the party okres committee and in particular its section for management of party work in industry.

It is also a lesson for the party okres committee. It has now withdrawn Comrade Kolar from the job of activist and appointed another more experienced comrade.

The okres national committee, which controls the enterprise, also learned a lesson. According to the ONV chairman, Comrade Frantisek Hrabá, the lesson is mainly that it is necessary to improve the quality of personnel policies, to promote more promising employees into jobs, and to verify their abilities with concrete tasks beforehand. Comrade Hrabá sees a second large lesson to be learned in adopting the principle that a key economic employee undergo a political and professional examination at the OV of the CPCZ and the ONV before entering a job. A third lesson is less obligatory--eliminate nepotism in enterprises.

Some okres and local officials felt that it was not necessary to write about this case and that we should be more careful about making public our mistakes and shortcomings. This is an erroneous opinion. The 17th Party Congress emphasized with all urgency that it is particularly important today to have openness in discussions, which includes truthfulness in assessing situations, the ability to see shortcomings and mistakes, widespread information, and regular auditing.

Yes, one can learn a lesson from mistakes. For better work in the future. In many ways the case of the Okres Industrial Enterprise in Slany is undoubtedly a lesson that can be generally applied.

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ECONOMY

CZECHOSLOVAKIA

IMPORTANCE OF INTERNATIONAL LABOR DIVISION VIEWED

Prague SVET PRACE in Czech No 10, 1986 pp 16-17

[Article by VS: "International Division of Labor"]

[Text] Our republic is a country with a skilled body of workers and a developed processing industry, although it has an inadequate fuel, power and raw material base. Therefore, we have to import a substantial amount of materials and obtain the means for purchasing them through exports. As a country with 15.5 million inhabitants we cannot produce a complete range of essential products but have to concentrate our attention and energies on those sectors which are suited to our conditions. The CSSR must cover its other needs through imports. By means of foreign exchange we overcome the variance between possibilities of efficient production and the structure of consumption.

The CSSR has a direct vital interest in broadening the area for developing the international division of labor and product specialization. This was again confirmed by records of the 17th CPCZ Congress. The political report presented at the congress emphasized the importance of our participation in carrying out the comprehensive program of progress in research and development in CEMA countries and especially the importance of economic, research and development cooperation with the Soviet Union.

Trade Transactions

Czechoslovakia's foreign trade transactions have continued to increase in the last 10 years. In the last 15 years they increased from under Kcs 54 billion in 1970 to approximately Kcs 240 billion in 1985. This increase in trade was influenced partly by an increase in export and import volume and partly by increased export and import prices. The regional composition of foreign trade transactions noted a significantly increasing volume in the exchange of goods and services with socialist countries. This volume increased from under Kcs 38 billion in 1970 to almost Kcs 189 billion in 1985. The proportion of the CSSR's foreign trade with socialist countries was almost 79 percent of the total. Our largest trading partner is the Soviet Union, with which we exchanged more than Kcs 107 billion in goods and services in 1985; its share of our trade reached 45 percent.

The main directions of economic and social development in the CSSR presupposes that trade with socialist countries will continue to develop in a favorable direction. In the years 1986-1990 this trade should increase by 22 percent. It is also expected that trade with nonsocialist countries will increase.

#### Fuel Resources

According to 1984 data, the CSSR consumed as primary energy 103.4 million tons of standard fuel equivalent. Of this, 70.6 million tons was from domestic sources (coal, nuclear power and river power potential) and 32.8 million tons was imported. This is chiefly Soviet oil (over 16 million tons annually), Soviet natural gas (roughly 10 billion cubic meters annually), Soviet coal for the electric power station in Vojany and imported electricity. For example, in 1986 we will import 3.1 billion kWh of electricity from the USSR, thanks primarily to Czechoslovakia's part in constructing the Chmelnicky nuclear power plant in the Ukraine. After this station is fully completed with a 4000 MW output, we will receive 3.6 billion kwh from it annually.

The main directions of economic development call for devoting special attention to integration actions which will assure supplies of fuel, energy and raw materials. With the help of these actions imported fuel resources will expand in the Eighth 5-Year Plan.

Contributing to this is further construction of the transit pipeline which carries Soviet gas through our territory to other European countries. In 1985 it reached a carrying capacity of 53 billion cubic meters. At present a fourth line is being built which measures 857 km and goes from the Czechoslovak-Soviet border to Rozvadov on the border with the FRG. It is being welded together with giant imported pipes 1420 mm in diameter. A commensurate expansion is expected in the capacity of compression stations in which they will begin installing electric power units with 25 MW output. By 1991 the carrying capacity of the transit system will reach 73 billion cubic meters of gas annually. Since the transit fees are covered by a certain percent of the gas conveyed, the development of the pipeline is a boon for our sources of quality fuel.

#### The Progress Pipeline

We will also assure expanded supplies of natural gas by participation in building the Soviet gas industry. According to a 1985 agreement, Czechoslovak organizations will take part in construction of the international Progress pipeline and the Urals gas complex. This contribution will be paid for by deliveries of Soviet gas. Our fuel resources will increase by about 5 billion cubic meters annually for 20 years.

The Progress pipeline will go from the Tazov peninsula in northwest Siberia to the Czechoslovak-Soviet border. The extraction area is located around the city of Yamburg. The pipeline will be more than 4500 km long and the builders will weld it together with steel pipes 1420 mm in diameter. The gas in them will be conveyed under 7.4 MPa pressure. There will be 40 compression stations to take care of the required gas compression with a total output of 3270 MW.

Our organization for the Progress pipeline will lay 360 km of piping in the sector from the Czechoslovak border to the east across the Carpathians. This sector will become operational in 1988 along with the Bar and Bolgorodchany compression stations. By 1991 Czechoslovak builders will also construct 220 km of gas lines in the Tulska oblast and they will erect six compressor stations in Povolzh. Each will be equipped with three electric power units with 215 MW output from CKD Prague. Our participation in the construction of the Progress pipeline will be 4 times greater than in the Soyuz pipeline some years ago.

In addition, our organizations will take part in building the Urals gas complex. This project will go up in the vicinity of Karachaganak, about 250 km southwest of Orenburg. Czechoslovak builders will construct 3600 apartment units, including technical and community facilities, as well as a plant for repairing Tatra trucks and a number of other installations.

### Iron Ore

The Soviet Union is the largest supplier of iron ore to the Czechoslovak metallurgical industry. At the end of last year they unloaded a freight car at Kl Gottwald Nove Hutí, which had the 30 millionth ton of iron ore imported in the postwar years from the USSR. Reserves of ore mined to date in the Krivoyrozh basin of the USSR are, however, close to being exhausted. There are however, about 500 million tons of oxidized ore at the dumps which could not be sorted by current methods because it is not magnetic enough. Billions of more tons of this ore lie under the ground near the surface.

In order to provide future supplies of raw materials for our metallurgy we will participate on the basis of a 1983 agreement in the construction of a new Krivoyrozh plant which will process this oxidized ore. Magnetic separators for sorting will be installed with 10 times greater capacity than before.

Our organizations, in fact, have been entrusted with construction of the magnetic separation shop. This is a building 6x50 meters long, 130 meters wide and 35 meters high. Czechoslovak enterprises, especially the Vitkovice concern and the East Slovak Ironworks, will supply about 65,000 tons of steel construction for the building with a protective coating to last 50 years. Up to 5000 of our workers will be engaged at certain times in construction of the building and installing the equipment. The plant is supposed to process about 30 million tons of oxidized ore annually and obtain up to 10 million tons of concentrate with an iron content of about 60 percent.

### Specialization and Cooperation

Mass production of identical objects, compared with small lot or piece production, is much more productive and makes possible advantageous utilization of machinery, installation of single-purpose machines and automatic production lines. Large series production provides conditions for concentrating research and design capacity to resolve critical technical problems and makes it possible for selected products to be maintained at a high standard.

Thanks to specialization and the division of labor agreed upon by the socialist countries, we were able to develop a number of production lines to an

efficient size. Their products are of increasing importance for Czechoslovak exports to socialist countries and they often even penetrate developed capitalist countries and developing nations. These export lines are scoring further growth in the Eighth 5-Year Plan, not only in the scale of production but also in their technical level and quality. We will mention at least some of these.

### Trucks

In Siberia many stories are told praising Tatra vehicles. One of these tells about a truck which fell through the ice on an frozen river and to a depth of about a meter. Because of the winter conditions, the truck could not be freed so boards were placed around it so the receding ice would not damage it. In the spring the Tatra was pulled out of the river, the driver started it up and it was able to run immediately. Another story describes a driver who tore off a front wheel of his Tatra when it struck an obstacle, but it still drove along the frozen river to its destination 200 kilometers away. At the beginning of 1986 it was essentially serial Tatrass at the Paris-Dakar Rally that set off at the starting signal as special trucks of world-renowned firms.

It was no wonder that the Tatra enterprise had problems for a long time in satisfying potential customers. On the basis of a 1971 agreement with CEMA countries, remodeling of the Tatra Koprivnice motor works and their plants in Slovakia was started two years later with credit from the International Investment bank in Moscow. The enterprise's capacity increased substantially; in 1986 the motor works will deliver 14,700 trucks. The T 815 series vehicles have been coming off the assembly lines since 1983 and their production has already had 28 modifications.

In the Eighth 5-Year Plan the motor fleet of the socialist countries will increase by tens of thousands more Tatrass. Their biggest customer will continue to be the Soviet Union, but thousands of Tatrass are operating in China, which started their licensed manufacture in 1985.

The Skoda-LIAZ truck is also penetrating foreign markets. These vehicles are assembled in Bulgaria. In return the KTA Madara enterprise in Bulgaria supplies the CSSR with rear axles for our production of these vehicles. In the Eighth 5-Year Plan our automobile industry will also better satisfy the demand for the Avia light truck produced under license of the Renault-Saviem firm. Their assembly is being prepared in the Bratislava motor works so that in a few years 25,000 of these trucks will be available annually.

### More Efficient Locomotives

A notable example of the opportunities which socialist division of labor offers is the fact that the 5000th diesel-electric CME-3 switch engine with 900 kW power was exported to the USSR in 1985. This represents the biggest locomotive series of one type; that has ever been produced in the world. Because of growing demand for transportation, the size of Soviet trains is also increasing, so in the Eighth 5-Year Plan CKD Prague will start production of an 8-axle engine with 1350 kW power which by extensive application of electronics reduces fuel consumption and increases transport economy.

We can also spot many electric locomotives of Czechoslovak manufacture on Soviet railroads. Since 1958 the Skoda Plzen enterprise has delivered more than 2500 electric locomotives to the USSR. According to agreements concluded, 380 more locomotives are to be shipped from 1986 to 1990 to the Soviet railroads and as many as 800 engines from 1990 to 1995. Present types of locomotives are being modernized but a third generation prototype locomotive with an asynchronous engine is being intensively developed. Electronic outfitting of these engines will enable them to be driven automatically.

#### For City Transportation

Sales opportunities in socialist and some other countries have made conditions suitable for the development of streetcar production. The CKD Prague enterprise supplies them to a number of countries on the basis of specialized agreements. For example, in the USSR there are already about 11,500 streetcars of Czechoslovak manufacture. They are used for public transportation in 36 cities. Thousands of more streetcars from CKD Tatra Smichov are running in 14 cities of the GDR. They also serve the populace and visitors in Budapest and in many Romanian and Yugoslav towns. A new CKD Tatra plant is being built in Prague-Zlicin to satisfy the demand for this means of transportation. After completion of the main buildings our production of streetcars can increase from under 1000 at present to 1700.

Low energy demand and quiet operation without exhaust influence the interest in trolley buses. It is estimated that vehicles from the Skoda plant in Ostrava n. O. operate in some 90 European and Asian cities. For example, in the Soviet city of Kiev alone we could count about 1200 trolley buses from the CSSR. In the Eighth 5-Year Plan series production of articulated trolley buses will begin and construction of a new shop is in preparation which will increase the annual production of trolley buses from the current 350 to about 800. However, this calls for unifying bus and trolley bus bodyworks and the help of other manufacturers.

We could also describe the production of small transport planes, boats and technical vessels, rolling mills, powdered-milk facilities, brewery equipment and other products. This additional information would also demonstrate that for a smaller country the international division of labor is a vital necessity, a resource for efficient development and an expression of friendship.

8491

CSO: 2400/368

ECONOMY

CZECHOSLOVAKIA

## ROBOTIZATION PROGRAM TO 1995 OUTLINED

Prague RUDE PRAVO in Czech 28 Jul 86 p 3

[Article by Eng Vladimir Cop, CSc, vice-chairman of the Federal Commission for Research and Development and Investment Planning: "Automation and Robotization of Production"]

[Text] Automation of production involves a range of research and development, organizational, social and economic actions which are directed at increasing the productivity, quality, and overall effectiveness of production. At the same time, it supports important social and political goals leading to the liberation of man from work which is physically demanding, harmful to health, and monotonous.

In the past 15 years, attention has been concentrated on the automation of engineering, metallurgy, chemical technologies and energy production, where many important successes have been achieved.

The state tasks in program P 15, Engineering Production Processes, and in the state target program 07, Industrial Robots and Manipulators, created the necessary concentration of resources and capacity and the base for initiation of overall automation and robotization in the CSSR. Today we have designed and effectively tested over 50 types of completed assemblies of automation equipment needed for full automation of production technologies, especially in engineering and selected fields of non-engineering production.

This includes, for example: an integrated production sector for machining rotary and casing parts; a sector for the production of flat components from sheets of sheet-metal or for the manufacture of parts from rod material; a set of resources and equipment for automated and robotized assembly; a series of types of industrial robots and manipulators and modular robotized technological complexes designed for application of mechanical roughwork, forming, welding, surface modification, and assembly in the technological processes.

### A High Rate of Speed

The status achieved is characterized by the building of model work areas, some of which are up to global standards. In this phase, we have not achieved the



necessary degree of frequency use, which is connected with the slower preparation of the users and the low rate at which equipment is being put into serial production.

In comparison with the previous five years, in the Eighth 5-Year Plan the production and employment of industrial robots is growing very significantly. Robotized technological complexes have increased by 2.2 times. Production of components and modules for the creation of robotized technological complexes has increased by 9.4 times and final deliveries by 9.2 times.

We met the goals for development of robotization in the Seventh 5-Year Plan in production and introduction of industrial robots and manipulators in the key indicators. Users received more than 4,700 industrial robots and manipulators. We began with the organization of engineering and design capabilities. These are the basic conditions for the application of modern automation technology in newly constructed capital investment projects and in the reconstruction and modernization of the production base. In the user realm, there was application for more than 1,600 robotized work areas and more than 4,200 industrial robots and manipulators are being utilized.

In the past five years there has been a significant expansion in international research and development cooperation within the framework of CEMA, but especially in bilateral cooperation with the USSR.

In addition to positive results, a number of problems appeared in the development of robotization, especially connected with delays in the development of the production base for the manufacture and delivery of robotized work areas. There is no possibility of greater deliveries of robotized work areas. A serious problem is the continuing shortages of elements and nodes with the desired technical capabilities, necessary quality, and appropriate price relationships. The rate of development is being held back by the extremely long delivery schedules of many subsupplies of the assembly base. Problems have also showed up on the user side, where inadequate organizational and professional preparedness, as well as the relatively low economic effectiveness of the equipment employed, have slowed down the introduction of new technology.

To a decisive degree, the departments of general engineering, metallurgy and heavy engineering, and the electrical engineering industry contributed to achieving the tasks of the Seventh 5-Year Plan. Robotization was directed at the main engineering technologies such as machining, shaping, pressure casting, welding, materials handling, assembly, working plastic materials, and to some degree surface modifications. However, there were also applications of industrial robots in non-engineering branches, mainly in the construction department in production of bricks and in the glass, footwear, textile, and foodstuffs industries.

#### The Goals Are Clear

The goals for the development of robotization for the Eighth 5-Year Plan with projections up to the year 1995 are formulated in the project of state target program A 05, Robotization of Technological Processes. It is oriented toward a significant increase in the technical and economic level of production, increased effectiveness of basic resources, growth in the social productivity

of labor, and savings in the labor force. It is also significant that it is oriented toward increasing the technical level of both industrial robots and also the technological equipment with a higher level of flexible automation and improving Czechoslovak industry's export capabilities.

One of the program's basic goals is to put into operation roughly 7,300 industrial robots and to create at least 3,960 robotized work areas with their gradual association into robotized complexes. The effectiveness of robotized work areas put into operation will be increased by the utilization of capital assets and the quality of production. In 1990 there will be a savings of at least 10,000 employees in the user sphere.

The basic material orientation of the research and development content of the program is toward the creation of the prerequisites for fulfilling the tasks arising from the overall automation of production within the framework of the Comprehensive Program of Research and Development Progress of the CEMA Member States Up to the Year 2000.

Currently, there are already several important international agreements which have been signed, especially the agreement of CEMA member states on setting up international Interrobot organization and others which will, by their nature, contribute to fulfilling the Comprehensive Program of Research and Development Progress of the CEMA Member States. Specific programs and plans for cooperation are included in the agreements.

#### Fully Automated Production Sectors

The future development of overall automation by the use of industrial robots and manipulators has several decisive strategic tasks before it in order to be able to develop fully the fields of robotics and to bring about the results that are expected for society. What does this mainly concern.

1. To master the problems of integration of functions, operations, and production procedures, including their preparation and control through the use of automation equipment, which guarantees a high level of reliability and effectiveness in its use.
2. To make proper use of the latest technical and technological innovations of the higher generations, which substantially increase the technical and economic capabilities of the robotized complexes.
3. To automate effectively production and non-production processes, while at the same time resolving the social, ergonomic, and economic questions of the employees.
4. To finish building an organizational structure for research and development, production, design, and delivery organizations and the robotics sections divided into branches both in the economic structures of the countries and in international cooperation as well.

The goal is to build fully-automated production sections and plants with a high level of automation of engineering and technical work, as well as automation of the control of production and non-production processes through fully-

constructed automated control systems. Increased automation requires thorough mastery of the automation cycle in the automated technological work area, which is becoming the basic construction module of the automated production system.

### Keeping Pace

Currently, information feedback, control, visual, and other microelectronic systems are growing at the fastest rates. The world production of electronics grew in the past ten years by 240 percent and for the next ten years a growth of 290 percent is predicted. There is proportionate growth in the production of numerically controlled machines, which by 1990 is calculated to reach 50 percent of the total production for selected inventories, especially machine tools. The most rapid development in the rate of innovations is taking place in the level of integration of microelectronic components, memory capacity, the principles of regulating drives, and the collection and evaluation of signals [in the later period, of images, voice, etc.]. All of these stimuli lead the laboratories responsible for the development of robotics to hook up with these trends and effectively bring the technology mentioned here into their own program.

The resolution of social questions related to automation is an important aspect in the development of society. Of necessity, automation replaces the labor force, and not just manual laborers, but also a certain group of employees in development, technical preparation for production, and mainly administration. The need for qualified service workers and programmer-installers of automation equipment is growing. There is an increase in demands on engineering, design and final delivery activities and related professions.

The robotization development program in the CSSR counts on resolving these questions as well. They are based partly in the educational system and in the tasks of the departmental educational centers. One cannot ignore the contribution of the research and development community. More than 2,300 specialists were trained from 1981 to 1985 in courses on the programming, servicing, and maintenance of industrial robots and in courses on the design of robotized technological work areas and production systems. Questions related to new professions, their classification and pay scales are being resolved. The basic principle is to carry over the tasks of the enterprise which is undergoing automation into the sphere of the social program.

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ECONOMY

CZECHOSLOVAKIA

# LACK OF PROGRESS AT GABCIKOVO-NAGYMAROS CRITICIZED

Bratislava PRACA in Slovak 16 Jun 86 p 4

[Article by M. Luknar: "Why Are the Builders of the Danube Water Project Falling Behind?"]

[Text] The hopes of the builders of the Gabcikovo-Nagymaros Water Project System on the Danube to meet their half-year objectives will very likely remain only wishful thinking. Construction since the beginning of the year suggests even to the greatest optimist that the many problems arising primarily from a shortage of mechanical equipment have become so acute that there are now fears that not only the half-year but also the whole year objectives may not be reached.

The situation at this national, extremely important construction project is best documented by some facts about fulfillment of the financial plan. In the first 4 months of this year the builders have spent Kcs 223.65 million, which represents 19.2 percent of the quota for the whole year's work. If we compare this amount with the work's schedule we see that the builders are meeting 74.5 (!) percent of the plan. An even better picture is given by looking at some of the critical installations at the Gabcikovo stage. For example, the situation at the Hrusov-Dunakiliti revetment is the worst. The builders there have met only 10.2 percent of the year's quota. According to realistic estimates, it is virtually unthinkable that the builders will be able to compensate for the slippage by the end of the year. Things are going much better at the supply channel, but the percentage of the entire year's objectives that have been realized suggests that even this project is behind schedule. Actually, most of the problems centered on the hydroelectric station itself. By the end of April the workers should have laid over 74,000 cubic meters of concrete. In reality, however, they laid only slightly over 39,000 cubic meters. At the same time the year's plan calls for 383,000 cubic meters!

It is understandable that this kind of situation should give rise to many stormy discussions. What really causes such great delays in a priority project of the state investment plan?

A great deal of light was shed on this problem at a meeting of the Comprehensive Construction Site committee of the CPSL. The point of longest

deliberation was fulfillment, or more accurately stated, nonfulfillment of the construction schedule. The shortage of mechanical equipment, which allegedly is causing this year's unfavorable results to a great extent, was chiefly discussed. It is mostly a question of facilities for primary and secondary transport of concrete mix.

Since laying the concrete mix is currently the critical procedure in building the Gabčíkovo stage alone, the problems with transportation naturally affect overall plan fulfillment. The main causes for the builders' dissatisfaction are shortages of concrete mixers and tank conveyers, breakdowns of concrete pumps, bursting of concrete shipping containers and naturally delayed deliveries of power cranes and the system for transporting concrete into the foundation pit of the hydroelectric station itself.

These findings, however, look for the causes of the slippage only in the shortage of mechanical equipment. But, as Alexander Dunai, chairman of the Comprehensive Construction Site committee of the KSS emphasized, deficiencies should also be seen in the organization of the work itself and cooperation among the various suppliers. There is much unused capacity in maintaining continuous operations at the most important threatened installations. Therefore, it is necessary to use machines on the site as much as possible. The attitude of all managers must finally change, he stressed. He mentioned as a good example the West Slovak Stone Quarries and Gravel Sands which were able to overcome a shortage of gravel sand by a maximum concentration of people and equipment.

Their dissatisfaction with the course of construction, as expressed by the Comprehensive Construction Site committee of the CPSL at their earlier meeting, was not at all changed to satisfaction. On the contrary, its chairman Alexander Dunai pointed out that if serious deficiencies in management and organizational work continue, the party committee will take specific comrades to task.

The fact that not all causes of the construction delays should be attributed to equipment shortages was also attested to by Dusan Miklanek, Minister of Construction of the SSR, who stated at a recent expanded plenum of the SVOZ [expansion unknown]: "We are behind in the plan for construction of the System of Water Projects from the beginning of the year until the end of April by Kcs 75 million. External causes for nonfulfillment of objectives were due to unfavorable weather conditions, which limited concrete work and asphalt concrete sealing. The greater reasons for the resulting slippage, however, were internal causes. There were especially long preparations of conditions for making operational the machinery brought in, conveyer belts of ROTEC [expansion unknown], their own concrete mixers, production mountings and equipment for laying the asphalt concrete seal.

"An important problem on this project is inadequate utilization of the supply system on the part of Hydrostav, overworking its Gabčíkovo plant in the area of coordination work, the enterprise's small share in managing actual operations at the construction and failure to carry out improvements in the organization of work on the site which we had ordered at the department level in November of last year. Also playing a negative role at the construction site is the low level of coordination in utilizing transport facilities and

machinery among the various enterprises of Civil Engineering--Hydrostav, Vahostav and Doprastav."

Although we cannot, in any case, underestimate the shortage of mechanical equipment and transportation and its negative impact on construction, we must also perceive internal problems at the site. How can they be resolved? At the meeting of the Comprehensive Construction Site committee of the CPSL, Jozef Zajonc, chairman of the ZO [basic organization] of the CPSL at Horni Bar Vahostav, suggested an old but tested prescription: We approach the problem like communists. We listen carefully to people at members' meetings and make use of their suggestions. Because only ascertaining the problems and citing them in reports on the construction is of no help. That is just hypocritical sprinkling of ashes on our heads.

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ECONOMY

CZECHOSLOVAKIA

# CENTRAL SLOVAK KRAJ ELECTRONICS INDUSTRY HAVING PROBLEMS

Bratislava PRAVDA in Slovak 19 Jun 86 p 4

[Article by Miroslav Ruttkay: "Electrical Engineering Industry in Central Slovak Kraj to Improve Management"]

[Text] The Central Slovak CPSL kraj committee in Banska Bystrica recently discussed the development plan for the period of the Eighth 5-Year Plan and to 1995 for the enterprises of Tesla Orava Nizna, the Research Institute of Computer Technology Zilina, the Computer Technology Plants (ZVT) Banska Bystrica and Tesla Liptovsky Hradok. Current party control is directed toward meeting objectives which are to ensure planned dynamic growth of production. In spite of some good results in the Seventh 5-Year Plan, there are still considerable problems in the kraj enterprises which are being carried over into the first months of the Eighth 5-Year Plan. Consequently, the Central Slovak CPSL kraj committee is evaluating critically supplier-consumer relations, development of production technology, and realization of investment objectives. Because of supply and demand, since the beginning of this year Tesla Orava was unable to produce goods valued at Kcs 93 million. The Orava firm owes the market 10,000 color and 9,500 black and white television receivers, 300 display panels and other products.. In June it should produce 6,000 new Color 416 television sets, but because of a shortage of parts the monthly plan is threatened. Among the biggest defaulters of economic agreements are Tesla Prelouc, Tesla Lanskroun, Tesla Roznov, Tesla Blatna, Tesla Strasnice, Tesla Jihlava, ZVS Dubnica, ELTOS Tyniste and PRAMET Sumperk. The workers of ZVT in Banska Bystrica and Tesla in Liptovsky Hrad are also not on schedule in production.

Because of continuing problems, a working conference was held recently at the Central Slovak CPSL kraj committee with representatives of the federal ministry of the electrical engineering industry (FMEP), the general managers of VHJ [economic production unit] enterprises of the electrical engineering industry in the kraj, and party officials. Those present evaluated the performance of tasks in the first year of the Eighth 5-Year Plan and concepts of development up to the year 2000.

Jan Cipov, secretary of the Central Slovak CPSL kraj committee, said that the situation of the enterprises of the electrical engineering industry in the kraj is disturbing. Part of the problem is due to an inadequate enterprise management, as well as ineffective decision-making by senior officials. Although they adopted several party resolutions, there definitely was no evidence of improvement in supplier-consumer relations, in meeting the need for parts production, in the quick release of foreign currency assets for the purchase of materials and equipment, and in implementing plans to intensify the updating of production technology.

Even the attitude of enterprise managers was not always aggressive. In Tesla Orava they do not consistently carry out resolutions and recommendations for improving work in technical development. Innovative advances for televisions and display technology are lagging. Socialist cooperation in research and development and collaboration and specialization in the production of color televisions of the fourth generation are proceeding at a slow tempo. Even if a certain amount of low-quality production can be attributed to parts and strains in the plan for not providing satisfactory supply and demand conditions, one cannot believe that they exhausted all their own possibilities to raise quality in the enterprises.

In the Banska Bystrica ZVT the development plan is not being fulfilled adequately. Conditions are not conducive for the development of computer technology, especially the SM 52/12 systems and personal computers PP 01 to 04, also testers and other products. Consequently, the general management of Automated and Computer Technology Plants (ZAVT) must proceed more responsibly to resolve investment actions and also in the ZVT plants in Namestov and Rimavska Sobota.

These and similar problems in the electrical engineering industry have unfavorably affected the application and penetration of electronics into other branches. The example of the Central Slovak kraj shows that within the department of the electrical engineering industry they are capable of working out good plans for development of individual sectors, but it is another matter when the plans are to be carried out. Whenever the plan "explodes" in the first months of the Eighth 5-Year Plan, that is evidence of poor preparation. Furthermore, the disease of making economic agreements with reservations has been spreading so that the enterprises within the FMEP do not even fulfill mutual deliveries.

The tasks for the electrical engineering industry that emanate from the resolutions of the 17th CPCZ Congress are demanding. They call for more intensive procedures at all management levels from the ministry to the enterprise.

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ECONOMY

HUNGARY

## REFORM'S DEVELOPMENT, PROGNOSIS

Budapest VALOSAG in Hungarian No 7, 1986 pp 32-47

[Article by Istvan R. Gabor, Karl Marx University of Economic Sciences, Department of Labor and Education Economics: "Reforms, the Second Economy, 'State Socialism.' About the Evolutionary and Comparative Economics Lessons of Our Experiences in the 1980's"]

[Text] "It is often said that socialism is contrary to human nature, and this assertion is denied by socialists with the same heat with which it is made by their opponents. The late Dr Rivers, whose death cannot be sufficiently deplored, discussed this question in a lecture at University College, published in his posthumous book, "On Psychology and Politics." His is the only discussion of this topic known to me that can lay claim to being scientific. He sets forth certain anthropological data which show that socialism in Melanesia is not contrary to human nature; it then points out that we do not know whether human nature is the same in Melanesia as in Europe; and it concludes that the only way of finding out whether socialism is contrary to European human nature is to try it. It is interesting that on the basis of this conclusion he was willing to become a Labor candidate. But he would certainly not have added to the heat and passion in which political controversies are usually enveloped." (Bertrand Russell, "Sceptical Essays," London, George Allen and Unwin Ltd, 1935, p 14.)

This writing has been shaped basically by the sense of want that certain obscure points in the extensive literature on Hungarian economic reforms have evoked in me, and also by the inspiration that I have gained from the pioneering perceptions of this extensive literature.

The same dual source explains also the strongly theoretical nature of this writing: it spotlights "final" questions without whose proper elucidation one could hardly expect to gain the overview necessary for complete familiarity with the ins and outs of the state socialist economy's reform processes, and for a realistic assessment of their historical trend, limits and importance. I am attempting to contribute toward the fulfillment of this task, in the expectation that there will be opportunity to exchange ideas with like-minded social scientists, economists as well as noneconomists, on the views I am expounding herein.

To explain my standpoints on questions regarded as the most essential from the viewpoint of the prospects of the Hungarian economy's reform process, I have been obliged to transcend the scope and approach of my immediate field, "the

economics of human resources." But I have not been able to abandon my true self completely. When presenting the more specific arguments in support of my standpoints, in some instances I resort to aspects and facts that are closer to my immediate field of interest. Incidentally, I am occasionally motivated to do so also because most of the leading theoreticians in our literature on reform tend to neglect the aspects of labor economics in their reasoning, because their primary field of interest happens to be general economics, finance or perhaps law.

To forestall possible disappointment, regarding the question of literary form I feel obliged to emphasize that this writing--as already its subtitle indicates--is more or less an essay, rather than a regular scientific dissertation. But for fear of sounding arrogant, I would rather borrow a phrase from Bertrand Russell and call this writing a "sceptical essay"; its scepticism (like that of most of Russell's works) regarding the future masks a profound and sincere hope.

It follows from the literary form of this writing that it does not aim to present a systematized and detailed account of the latest developments in the Hungarian reform movement and reform policies<sup>1</sup>, or even of the range of phenomena constituting the second economy that has been singled out in the title. Furthermore, I am aware that also the substantiation of my statements leaves something to be desired. But I have intended my writing as a basis for debate. Therefore, and due also to the constraints imposed by space limitations, the tone of my writing is perhaps unseemingly sharp, and its conclusions--considering the sketchy exposition--perhaps venture too far. For this I beg the readers' indulgent understanding, and request them to point out my mistakes with friendly yet unsparing frankness.

#### Inadequate Explanations, Distorted Views of Future: Traditional Paradigm's Limitations

In the ways the socialist economy is perceived, in the East as well as the West, we continue to find traces of the paradigm whose conceptual framework typically distinguishes an inherently self-regulating, decentralized, market economy based on private capitalism, and an inherently nonself-regulating, centrally administered, planned economy based on state ownership: two ideal models regarded as exact opposites.

This continuity persists in our unconscious cerebration to this day, despite the fact that if we seriously accept the above dichotomy as our starting point, and at the same time take into consideration the immense complexity of modern economic systems, then we come up against a basic question which in this conceptual framework, it seems, cannot be answered in agreement with the facts. Yet such an answer is indispensable if we are to accept with a clear conscience the validity of the aforementioned paradigm.

I have specifically the following simple question in mind: In the 20th-century world economy, how can a socialist system prove viable when it is not self-regulating even in its ideal model?

Even under the spell of some "computopia," the reply would be limited to saying that, in principle, such a system might perhaps be viable--not today or tomorrow, of course, but the day after--as a competitive alternative to the market

economy. But if the socialist system is to survive and preserve its identity until then, its only choice is to adopt a military (or semimilitary) structure. This could be the seemingly logical answer, but hopefully few people would find it acceptable. Limiting the question to the economy, it would mean--among other things--replacing the labor market, which is based on recognized private ownership of labor power, with the official allocation of workers; and developing a rationing system to replace marketing based on the principle of consumer sovereignty.<sup>2</sup>

Indeed, certain elements of this conception did appear in some earlier descriptions of existing planned economies and, temporarily, in their practice as well. But the descriptions generalizing from these elements were essentially divorced from reality, and the practical methods of this kind, on which the generalizations were based, were incompatible already with the growth and efficiency aspirations of the given economic system.<sup>3</sup> With time this became so obvious that such descriptions, having lost their credibility, were gradually dropped; today, fortunately, one encounters them only rarely. And so far as the visions of a future with central administration based on computer simulation are concerned, with each new generation of computers and the rapid spreading of computerization there has been a considerable decline, rather than an increase, in the number of believers in such a system. And the still remaining believers' expectations regarding the time by when their predictions are likely to be fulfilled are receding farther and farther into the future.

Thus we were obliged to seek other explanations to solve the secret of the existing socialist systems' empirically (historically) proven ability to function and develop. This has produced explanations that are even more labored. They believe to have found the key to this puzzle in the encroachment of phenomena which, they claim, are foreign to the planned economy's ideal model and its real principles of operation.

In this context there arises, for example, the alleged proliferation (the so-called informalism) of informal vertical bargaining, and of horizontal reciprocity relations, between and within organizations of the planned economy's system of institutions. Furthermore, it is customary to rate in the same manner the extensive legitimate, nonlegitimate and illegal spheres of the second economy<sup>4</sup>--perceived as the scene of market-controlled private enterprise--that exist side by side and often interwoven with the planned economy's system of institutions. Finally, the prominence that the market's regulating role has gained--particularly in the wake of the Hungarian reforms--in the planned economy's system of institutions, in the state sector itself, is usually viewed in the same light.

Naturally, the facts themselves on which such explanations of the socialist economy's ability to function are based are not without foundation. But the common theoretical essence of the explanations--i.e., the fact that the listed phenomena are considered to be signs of the system's (in chronological order) "deviation," "degeneration," and "transformation," or perhaps of all three simultaneously--makes the theoretical paradigm itself suspect. Because, at the opposite pole from the market economy which in its ideal model is considered able to function, the paradigm has assigned equal logical status to a manually controlled planned economy which in its ideal model is now quite obviously doomed to inability to function as a modern economy.

It is a well-known methodological principle that an "ideal model" without any real model, even an approximate one, is not an ideal model but merely fiction. Because this principle has been violated, in the final outcome we have been able to glimpse into the secret of what is at best merely some distorted and rudimentary ability to function.

I say "at best," because theoretically we cannot exclude the possibility that the mentioned phenomena might be merely developments extending the "last days" of a historically unviable system. Or they might be indications of euthanasia that offers momentary relief, and at the same time shortens those "last days."

But if now--confronted with all these impossible and mutually conflicting conclusions which nevertheless follow logically from their premises, and which may appear to be figments of the author's lively imagination<sup>5</sup> only because of the pointed formulation--we accept as warranted the suspicion regarding the mentioned paradigm, then there arises the following question: What is the possible explanation of why this paradigm survives so persistently in our thinking?

In the case of the more conservative bourgeois social scientists, an obviously not insignificant reason (and also a consequence) of depicting the socialist economy in this manner is their mistrust of socialism's historical perspective, a mistrust which some variant of the theory of convergence might resolve the most readily. But dedicated Marxist scientists have vehemently opposed from the very outset the convergence theory's different variants (which conjure up gravitation toward a market economy on the one hand, and possible gravitation toward planning at the macro- and mezzoeconomic levels on the other), especially the views that play down the two systems' characteristic features. Even non-Marxist researchers have rejected these variants, although for different considerations.<sup>6</sup>

However, the domestic trend of thought in the social sciences that operated until quite recently with the dichotomy of a centralized socialist economy and a decentralized capitalist market economy, merely placing opposite signs before them, has also had a hand in the mentioned paradigm's survival. It regarded the former as a system which ex ante develops proportionately and in conformity with the plan, is able to supply needs the most fully and efficiently, promises dynamic growth and historically represents, already for all these reasons, a higher order than the capitalist market economy which the market regulates only ex post. (Entire generations, including this author, learned their political economy from textbooks written in this vein.)<sup>7</sup>

Thus this dichotomy probably came very handy--as an ideology--not only for the advocates of a capitalist market economy, and (with sign reversal, as I have said) for the party and planning bureaucrats of the day, most directly concerned with the apologetics of directive planning and management. With yet another sign reversal, it serves as an apparently solid theoretical fixed point for all those originators and standard-bearers of the Hungarian reform movement --against the apologetics of directive planning and management, and in favor of rehabilitating the economic approach--who cite the absence of the economy's self-regulation to justify the pressing need for reforms. They perceive economic reforms as the system's evolutionary developments that are moving or may

move the Hungarian economy toward a self-regulating market economy, although progress to date in this direction has been--more so in the view of some, and less so in the view of others--hesitant, inconsistent, and interspersed with reversions.<sup>8</sup>

In my opinion, however, it is unrealistic to rate the Hungarian economic reforms as such a process, at least so far as the actual developments in the state sector and the more distant prospects are concerned.

In the following I will first attempt to justify with theoretical arguments my above standpoint, fitted into an emerging new paradigm; then to line up also facts in its support; and finally to draw on this basis conclusions regarding the realistic prospects of the economic and--tangentially--political and social reform movement and reform policy in Hungary.

#### Different View of Hungarian Economic Reforms: New Paradigm Aborning

My theoretical arguments are based on Kornai's (1980) book. By my interpretation,<sup>9</sup> this book convincingly dispells the myth of a socialist economy purposefully administered from above.

The book, it will be remembered, investigates those rules of the pre-1968 Hungarian economy's operation that stem from the economy's system of institutions (consequently, the state is unable to suspend these rules by fiat). It examines the self-correcting mechanisms that repeatedly return the system to a particular "normal state." Kornai demonstrates how there follow from the given institutional relationships--in the final outcome, from the state paternalism which, based on state ownership, cushions the enterprises' budgetary constraint--patterns of behavior in economic decisionmaking that result in the economy's reproduction as a shortage economy.

Thus it is clearly evident from Kornai's book that it is not the absence of self-regulating and self-correcting mechanisms which causes the socialist economy of our time to depart from the system of state capitalism. Instead--in accordance with the differences that exist in production relations and institutional conditions--the causes of the departure are to be found "merely" in the nature and character of these mechanisms, respectively in the normal state (and its accompanying phenomena) into which these mechanisms keep returning the economy. And the key to the particular nature of these mechanisms can be identified the most succinctly as the dominance of "bureaucratic coordination" and the subordinate role of "market coordination."<sup>10</sup>

In Hungary, as a result of the reforms, the former coordination has mostly become monetized in its mechanism but essentially remains bureaucratic.<sup>11</sup> Its dominance, of course, also means--and this is probably what maintains the (conscious [a reference to the analogy with the somatic nervous system]) appearance of administration from above--that the economy's self-motion cannot be interpreted independently of the state's role as an active participant in the economy. The role that the state's planning and administrative machinery plays--like the economy's other participants, in accordance with the rules of behavior dictated by the economy's structural situation--is an integral part of the system's self-motion. But now we come specifically to the point where

the nascent paradigm departs from the traditional one: this role must not be confused with the actions--they may truly be termed conscious from the viewpoint of the system as a whole--which this same machinery occasionally takes to counter the system's self-motion, to alleviate or eliminate those features of self-motion that are deemed detrimental. The actions that must be distinguished analytically from the former role in the economy's normal operation<sup>12</sup> may range from certain ad hoc (not regular) modes of action against chronic shortages and their concomitants (inflationary pressure, hoarding of resources, etc.) to reform measures aimed at reshaping the economy's system of institutions.<sup>13</sup>

At this point, having established that the economic reforms in Hungary cannot be regarded as a process aimed at replacing the economy's "manual control" with self-regulating mechanism, we encounter the following question: Is it realistic to perceive the Hungarian reforms as stations of a process that eventually (by curbing the state's power as owner, and its paternalism, in relation to the state enterprises) will lead to the dominance of the economic processes' coordination based on the market's self-regulation, over self-regulation based on the dominance of bureaucratic coordination?

So far as short-term regulation of the economic processes is concerned, in the literature on the Hungarian reforms the standpoint on this question has been definitely affirmative from the very beginning. But the answers are divided on long-range regulation, specifically on the allocation of investments.<sup>14</sup>

At the same time it is noticeable that the reform literature is leaning in its opinion more and more toward an affirmative answer (at least so far as the economy's so-called competitive sphere is concerned). The reason for this is clear: theoretically obvious and supported also by more than 15 years of domestic experience, the realization is growing that, in the absence of decentralized investment decisions, the enterprises' interest in the soundness of their day-to-day and short-term economic decisions is not keen enough to allow market self-regulation to unfold on the basis of the enterprises' profit incentive. To answer the above question, therefore, it would now appear sufficient to clarify this new one: Would it be possible in principle to decentralize under socialism the investment decisions whose impact, because of their very nature, is felt over a longer period of time?

Even if we were to set aside all the familiar general misgivings that appear warranted regarding the market allocation of investments,<sup>15</sup> we still could not answer this question in the affirmative. For we do not know of any convincing idea as to how, under state ownership, the microeconomic organizations could become the repositories of capital formation's long-range profitability as the main economic incentive. Yet, this would obviously be indispensable to placing investment allocations on a decentralized, market basis.

There is every indication that the debate which has been in progress on this question for years has by now reached a stalemate, since none of the present concepts is able to stand the test of the rival concepts' criticism.<sup>16</sup>

The arguments against the alternative of the self-managing autonomous enterprise and similar cooperative's becoming the dominant forms of microeconomic

organization<sup>17</sup> are, among others, the following: combined with the microeconomic sphere's rigid organizational structure, the impossibility of trimming the work force to achieve greater efficiency; in the absence of mechanisms to equalize pay differentials between enterprises, the disorganization of the labor market as an allocating institution; and in short and confined to the labor market, the syndrome of "unemployment without layoffs, and drastic pay differentials between enterprises without the interenterprise manpower mobility to equalize these differentials." But even in itself it is already doubtful that the workers, who obviously cannot be bound for life to a given work organization, would be able to suitably promote the interest associated with augmenting the organization's assets, in preference to a short-term rise of their personal incomes.

So far as the model advocated by the reform literature's other main trend is concerned--i.e., the model under which managers would be the vehicles of the incentive associated with capital formation of long-term profitability<sup>18</sup>--its most vulnerable point is the absence of effective safeguards to guarantee that the profit-motivated big banks as capital-allocating institutions (holding companies) will not change into intermediate agencies of state administration.

Finally, regardless of how strongly we approve of the widely favored concept<sup>19</sup> of a capital incentive for workers as shareholders in the equity of their workplace, this usually is not and cannot be regarded as a suitable solution of the basic problem.<sup>20</sup>

Since this is, as I have indicated, a question of decisive importance from the viewpoint of the reform process's final prospects and has been in the forefront of economic thinking for years, the fact that the debate has reached a stalemate is hardly accidental. In my opinion, we must at least regard the stabilization of the frontlines as a sign of an obstacle to market self-regulation's future dominance, an obstacle that stems from state ownership itself.<sup>21</sup> But from this it logically also follows that we have to regard the economy's present splitup--into a predominantly bureaucratically coordinated (but not simply administered from above) state sector (the "first economy"), and a predominantly market-coordinated second economy that is intertwined with the first one and is competing with it for resources<sup>22</sup> (especially manpower)--as the socialist economy's inalienable feature that inevitably projects itself also into the splitup<sup>23</sup> of the economy's state regulation.

This final conclusion may ease the misgivings of those Western observers who, adopting a platform similar to that of Latouche (1985), fear for the Hungarian economy lest there might be implemented--in their words--some domestic reform concepts reflecting an old-fashioned market illusion. But what are we to say to the misgivings of those Hungarian reformers who see the danger specifically in the continuing dominance of bureaucratic coordination and in its concomitants expounded in Kornai's cited book?

Before I attempt to give, in the concluding chapter of this writing, what I believe will be an optimistic, "reformist" answer to this question, let us briefly review how closely the actual developments in the latest wave of the reform process agree with our aforementioned final conclusion. In Hungary of

the 1980's, are we able to speak of a tendency toward decentralization, and in what sense?

#### Some Key Elements of Latest Reforms: Nascent Paradigm's First Test

In the process of decentralization within the state sector, the most important development in recent years would appear to be the reduction of the enterprises' operational dependence on the branch ministries which exercise supervision (also) on behalf of the production assets' owner.

Primarily the legislative amendments and official declarations, the merging of the industrial ministries, the breakup of the trusts, etc. have acted in this direction. And more recently we may include here the government measures which, for a wide circle of the enterprises (already about 80 percent in 1986), delegate a part of the owner's rights regarding the selection and remuneration of managers--formerly the exercise of these rights was reserved exclusively for the specialized ministries concerned--to the enterprises' worker collectives or their elected representative bodies, which now have also an institutionally guaranteed say in setting their enterprises' strategic objectives. Finally, I have to mention here the 1985 liberalization of pay regulation. The gist of this liberalization is the introduction of a new form of pay regulation (with the avowed intention of broadening its application in future) which--aside from a supplementary element built into it temporarily to cap annual pay increases--essentially gives the enterprises a free hand to decide by how much they want to raise wages and salaries in relation to other enterprises or over the preceding period, within the limits of the tax burden that the enterprises' profits permit them to assume.

Although these developments point uniformly in the direction of decentralizing the exercise of the owner's rights, I believe we come closer to the truth if we regard them more as a delayed expression of the financial regulators' enhanced post-1968 importance as tools of macroeconomic management; and the liberalization of pay regulation, as an overhasty<sup>24</sup> measure which has already been "corrected" partially (instead of abolishing the supplementary element that was to have been only temporary, the tax on pay increases has been raised this year, with threats of individual sanctions). Rather than as a departure from bureaucratic coordination, we have to see them as measures which--regardless of the avowed intentions--have served to make this mode of coordination more flexible.

That the loosening of the enterprises' dependence on the branch ministries has simultaneously been accompanied by the enterprises' increasing dependence on the functional central agencies, especially the ones concerned with financial regulation (Ministry of Finance, Hungarian National Bank, State Wage and Labor Affairs Office, and National Material and Price Office), appears to support this interpretation. The fate of the enterprises now depends more on the outcome of their bargaining with the functional administrative machinery. We should add, however, that even this shift is in part merely a seeming one, due to the division of authority within the system of macroeconomic managing institutions that exercise the owner's rights in relation to the enterprises. For, in this new situation, the intentions that the specialized ministries express in the form of "expectations" continue to carry considerable weight, due to



their ability to influence the functional agencies' decisions that affect individual enterprises or their groups.<sup>25</sup>

Since meaningful decentralization of real economic power does not seem to have occurred, we may assume that it will only be a matter of time before the enterprise collectives realize that they could be jeopardizing their enterprise's prosperity, and within it their own, by acting contrary to the higher agencies' suggestions in decisions on selecting the chief executive, setting strategic objectives, or even day-to-day operations.<sup>26</sup>

Under these circumstances, the worker collective will become at least ambivalent in its assessment of the chief executive's suitability. Furthermore, one may venture that to this ambivalence--it has already become typical of the mentality of chief executives at large enterprises, because of their "status incongruity" (i.e., the agencies concerned with macroeconomic management expect them to be both loyal and entrepreneurial,<sup>27</sup> in circumstances when their own investment resources are sufficient merely for "dynamic maintenance of the existing level" and they must overcome chronic difficulties to ensure the necessary inputs)--there will be added a new element: the privileges won for the enterprise's worker collective, which up to now have been merely one of the requirements of good performance,<sup>28</sup> will now be included among the criteria that a successful chief executive must meet.

Thus in the state sector we are mostly able to report, instead of decentralization, only changes in the techniques of macroeconomic management, changes that have altered the division of authority somewhat in favor of the functional agencies. Meanwhile, the relative national economic importance of the originally decentralized economic sphere outside the state sector, i.e. of the second economy--or more accurately, of its legitimate part--has increased considerably during the past half decade, especially in the past two or three years.<sup>29</sup>

The efforts to widen and make more passable this byway to decentralization undoubtedly reflect also the political pragmatism which reckons with the exigency stemming from our economic difficulties. More essential from the viewpoint of our subject, however, is the relationship between the more liberal policy regarding the second economy on the one hand, and on the other hand the interpretation of the above-outlined changes taking place within the state sector, especially as changes pointing in the direction of decentralization and the establishment of a self-regulating market.<sup>30</sup> Because the economic administration could have expected from this relationship a narrowing of the differences between the two economies' principles of operation, which eventually would have permitted a more uniform, "sector-neutral" regulation of the two. For the reasons outlined above, however, such measures could not occur.

Therefore it is understandable that, among the new forms of small businesses enacted in 1981 and 1982, particularly those became popular--contrary to the economic administration's intentions and expectations--in which participation can be combined with employment in the first economy (three-fourths of the entrepreneurs have held on to their jobs) or at least does not require a substantial investment,<sup>31</sup> and where the customer is preferably an organization of the first economy.

Instead of spreading the number of small businesses which are operated as principal occupations and with substantial personal assets invested in them, and of shifting a growing proportion of the second economy's activities into a legitimate framework, the change is merely that the second economy--as the scene of earning personal incomes, once was typically separate also organizationally--has legitimately penetrated the first economy's organizations<sup>32</sup> and has expanded further.

Rough Assessment of Reform Movement's, Reform Policy's Prospects:  
Outlines of Future's New Picture on Horizon?

If our reasoning is sound, we ought to see a reassessment of the expectations regarding the ultimate goal: the future dominance of market self-regulation within the state sector. There is little sign of this as yet in the rhetoric of the reform literature. But a contributing factor to this has been justifiable concern lest desertion of the reform might be construed as joining the "rear guard" fighting for the old mechanism's restoration, or at least as reinforcement of the rear guard's "positions." However, this much is perceptible already now: In contrast with the reform movement's zenith in the 1970's, when intellectuals were concerned perhaps the most passionately with the questions of economic reform, in this decade economic reforms are gradually becoming the province of professional reformers and the government machinery.<sup>33</sup>

At the same time this fact offers hope that, in the state sector, the reform movement's expected exhaustion in pursuing the ideal of a self-regulating market will not mean the decline of the policy of economic reform as well. Indeed, after an assessment of the realistic final prospects of the reform process, at best there could even be a lessening of the reluctance within the economy's state sector to introduce the ever-newer reform measures as they become due. Their realistic objective is to find, for the state's role in the economy, the sensible extent and mode which can be effectively controlled and corrected through legal safeguards and the institutions of economic democracy. (Among the measures pointing in this direction, as we have indicated, the main emphasis has shifted to the question of the workers' capital incentive and the allocation of capital between enterprises.) Which would mean that, in preparing the further reform measures that are necessary, the anachronistic struggle between "progress" and "conservatism," a struggle which is dividing our best forces, could be replaced even more by the careful work of experts, and perhaps another halt or reversal of the reform process could be warded off against a policy of venting grievances, even under the conditions of restriction.<sup>34</sup>

Parallel with the reforms in the state sector and as a change that will continue to captivate public interest for a time, we can expect a further increase of the second economy's share within the national economy, partially through the spontaneous as well as the state-initiated transplantation of certain spheres of activity to the second economy.<sup>35</sup> In addition to the considerations discussed so far (elimination of shortages, development of small businesses as a homeworking base for state industry, higher personal incomes and reduction of their nonproductive spendings, etc.), the generation of more budgetary revenue for the state is increasingly yet another consideration in favor of the second economy's expansion, because the relative weight of this

sector is no longer insignificant. Thus it will probably be suggested eventually that also the increased revenue collection resulting from this sector's rapid expansion could compensate for a reduction of the tax rates, and in practice this consideration could become the more decisive one against keeping the second economy's incomes in line with the wage level of the large plants.

Perhaps not the next year or two, and hardly along a straight line, but eventually the relative weight of this sector may come close even to the "magic" limit which could not be exceeded anyhow, because of the sector's dependence on the first economy. Nearing this "state of natural equilibrium" (which of course cannot be perceived as a stable or permanent state<sup>36</sup>), the antagonism<sup>37</sup> and mutual dependence of the first and second economies may prove an essential inherent contradiction of socialism. A latent contradiction which we have long failed to recognize and attempted to suppress. Considering the depth of the sociopolitical conflicts stemming from it, as well as its function of promoting economic growth and efficiency, this contradiction may prove generally similar to the capitalist-proletarian class antagonism that emerges in the context of Marx's analysis of capitalism.

From the now generally acknowledged function of the second economy's goods and services in supplying personal and public demand, emphasis would thus shift sooner or later to recognizing, acknowledging and developing the functional role of the antagonistic relationship between the two economies. In which case it would become especially clear that the second economy's gains, which accompany and presuppose the reform program's implementation in the state sector, are an evolutionary process which leads to socialism's fulfillment rather than its "degeneration": to the liberation of the natural drive inherent in the two economies' close fit and of the self-regulating market forces, and thereby to the elimination of the chronic shortage economy, and hence in the final outcome to the exploitation of the economic opportunities that the socialist system offers.<sup>38</sup>

All this of course presupposes, and will probably also bring about, an upsurge of the political and social reform movements.

There have been calls for political and social reforms already in the 1970's, but only in this decade can we expect the possible organization of efficient movements to gain them acceptance.<sup>39</sup> For, in that period, political reforms probably seemed less urgent than the economic ones; and at the same time there was still hope that the social problems would abate by themselves as the process of economic reform unfolded and economic growth accelerated. Insistence on profound political reforms--namely, on a clearer definition of, and legal safeguards for, the division of authority between the party machinery and the economic administration's national and regional agencies, and between the party local and management at the workplace; furthermore, on developing the institutions for effective voluntary public oversight of state administration--would have seemed impatience under those conditions, and the urging of remedies for the social tensions would have been interpreted as the exaggerated worries of sociologists at best, and as the obstruction of economic reforms at worst.<sup>40</sup>

In the 1980's, however, on the one hand the reinforcement of local autonomies which has taken place since then,<sup>41</sup> and on the other hand the relative deprivation of large masses, including even the absolute deprivation of significant strata, as side effects of the earlier and newer economic reforms, respectively of the recession and shrinking budgetary revenues, have created a more favorable climate for the development of these aspirations into successful movements. Furthermore, it has become increasingly obvious that implementation of political and social reforms in the direction outlined by the late 1970's and early 1980's is also a prerequisite for the unfolding of the favorable economic trends and evolutionary processes mentioned above, and for preserving their results.<sup>42</sup> This way we may hope to overcome the retarding force of the indifference, and deteriorating civic and labor morale, that the economy's "counter-productivity" and the accumulation of social problems have generated. Paradoxically, to many people this indifference and declining morale appear as consequences of the economic reforms, respectively of the second economy's more liberal treatment.

The supporting pillar of our entire analysis presented here, and of our principal conclusions, has been the contention that, in the state sector of the economy, a program of decentralization which a self-regulating market presupposes is unfounded. We cannot rely on the socialist state and the state enterprises to implement such a program, any more than we can rely on the evolution of participation in the capitalist corporation to reach the point where the shares held by the workers become the principal determinant of their behavior at work.

From our reflections there emerges at the same time also the importance of further steps in this direction, so that we may come closer to the more complete development of a socialist economy which is not only "feasible" but "viable"<sup>43</sup> and capable of reproducing itself without any major shocks as well, and of the civil society peculiar to this system.

The qualifier "peculiar" is not merely verbiage. It refers to the profound differences which, in the final outcome, will probably follow from the logic of the socialist system's economies, a logic which essentially differs from the logic of state capitalism. And, regarding the sectoral classification of economic organizations and economic activities, the essential difference --perhaps obscured in our exposition up to now--between the logics of the two systems may be summed up roughly as follows:

The private-capital-financed organization or reprivatization of activities which are profitable, or can be conducted profitably, conforms to the logic of state capitalism.<sup>44</sup> According to the logic of socialism, however, in the above-outlined evolutionary process the second economy will probably always remain the scene of activities unprofitable for the state sector.

This way there could eventually be a change also in the present unfortunate situation under which--contrary to the ideology of socialism and to economic common sense as well--the wage level of the state sector's large and intermediate plants lags behind the incomes which can be earned in the second economy's units (whose equipment is usually inadequate and obsolete).<sup>45</sup> This

now compels the large and growing masses of wage earners within our population to put in a socially unacceptable amount of overtime so as to maintain a socially acceptable standard of living.

"... we argued long where I contended that we are not optimists but pessimists, and therefore have a positive approach to life in the highest sense. He was at a loss to understand that the pessimists, rather than the optimists, have a positive approach to life.

"When I say that I am a pessimist," I said, 'I mean that I want to personally convince myself of everything that I accept on the basis of this conviction, and about which I will know that it is worth clinging to. An optimist is someone who, without thinking, readily leans in either direction.'

"Sir, your reasoning is sound," said [Erno] Osvat after a time, 'but I think it ought to be expressed differently. You know, everything depends on how you say it.'

"Perhaps he was right in this." (Lajos Kassak, "Egy Ember Elete" [A Man's Life], Magveto Publishing House, 1983, Vol II, p 321.)

#### FOOTNOTES

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In view of the value notions associated with the category of "state socialism," I wish to note that by this concept I simply mean the present socialist systems' variants without "self-management." In the following I will use the category of socialism (for short) in this sense.

A characteristic common to these variants is that the production assets in the economy's dominant, i.e. state, sector are state-owned. Accordingly, the central and regional agencies of economic management exercise, directly or indirectly, also the functions of the owner of the production assets, over this sector's state (ministry- or council-administered) enterprises. (Compare this with Lenin's concept of state capitalism peculiar to the dictatorship of the proletariat, a profound analysis of which can be found in Istvan Heredi's 1985 essay. Incidentally, Heredi also employs the category of state socialism in his essay, but applies it--in contrast with my interpretation presented above--to the bureaucratic or revolutionary statist period of socialism's evolution, to the obsolescent directive model.)

1. For an assessment of the reform's 15-year history, see first of all Antal (1985b) and Kornai (1982a). For developments in the labor market and the second economy, see also Gabor (1983) and Galasi-Sziraczky (1985).

2. Leaving the economic system in a narrower sense, we might mention here additional conditions such as the following: the excessive buildup and upgrading of the law-enforcement agencies; the effective continuous propaganda harping on successes; convincing the masses that present sacrifices would pay off soon; maintaining the psychosis of a permanent threat of attack from without and/or within, etc. (On the nature of totalitarian regimes, with special attention to intellectuals and the role of ideology, see Barry 1970, pp 39-40, and the bibliography listed in his work.)
3. Briefly stated, militarization of the labor market could backfire, resulting in the workers' passivity, indifference or treacherous destructive behavior at work. On the other hand, honoring the private ownership of labor power presupposes assertion of the labor-distributing and incentive functions of wages; and this in its turn presupposes the marketing of consumer goods.
4. For this definition of the second economy, see Gabor (1985). It would be edifying to do so, but on this occasion we are unable to dwell on tracing the circuitous path along which the concept of the second economy evolved from the early 1970's until the 1980's, when it could occupy its stable place in professional thinking and public opinion, and occasionally even in the vocabulary of official policy, although there mostly within quotation marks. (Gabor 1983 offers such a review.) It will be appropriate to mention, however, that the definition I subscribe to--in the domestic literature on this subject it comes closest to definition offered by Pal Juhasz (1981)--has not gained general acceptance among social scientists in Hungary. (See, for example, Laky 1984b and Kolosi 1980.) For the terminology that Western writers use, see primarily Grossman (1977) and Katsenelinboigen (1977).
5. I would venture to cite with a clear conscience specific authors and works only if the exposition were more nuanced. Thus it is left to the reader to judge, on the basis of his familiarity with the professional literature, whether the outlined situation is valid. Here I may be permitted to note merely that these views have presumably been fostered (whether or not justifiably is something we are unable to dwell on now) also by the Hungarian sociologists Tamas Foldvari, Miklos Haraszti, Janos Kenedi, Istvany Kemeny, Kalman Rupp and Zoltan Zsille in the 1970's. Most of their works were published later abroad. Their significant contribution inspired the exploration of long-neglected important features of Hungary's social and economic reality.
6. For a more recent critique of such interpretations of Soviet-type planned economies, see Sabel-Stark (1982). See also Trevor (1985).
7. The theoretical criticism of this conception may be attributed to Tamas Bauer (1982a). A textbook of political economy published more recently (Hamori 1985) radically abandons this tradition, even at the expense of de-emphasizing the textbook's deductive nature.
8. A clear formulation of this standpoint has been offered most recently by Bauer (1985).

9. My interpretation essentially agrees with that of Antal (1982). Incidentally, in the sequel (Kornai 1982b) to this book the author himself points out with special emphasis that the socialist economy is a kind of "administrative system" (p 137).

What we have here, I believe, is essentially the consistent application of the view that Hirschman (1958) outlined in general as follows: "Tradition seems to demand of economists that their arguments center forever around the question of whether market forces alone can be relied upon to restore the economy's equilibrium. This, of course, is an interesting question. But we as social scientists must indeed devote attention to the question of whether disequilibrium can be rectified at all through the action of market or nonmarket forces, or a combination of both. We contend that the action of nonmarket forces is not necessarily less "automatic" than that of market forces" (p 63).

10. I have borrowed the distinction between these two types of coordination from Kornai (1983).
11. Kornai (1982a) demonstrates this succinctly. Antal (1985) presents ample facts for illustration.
12. Naturally, the fact that we do not regard fulfillment of this role as conscious activity from the viewpoint of the system as a whole does not yet mean that it cannot be conscious activity from the viewpoint of the given machinery. Not to mention the members of this machinery as organizational individuals. Their participation in such activity is obviously conscious.

Here I wish to note that in our thinking we customarily equate the economy's self-regulation with horizontal (or market) self-regulation, and associate relations of subordination-superordination with administrative management. Therefore the concept of "self-regulation based on vertical (bureaucratic) coordination" might appear self-contradicting here.

But only until we consider the coordinated self-regulation of the higher organisms' vegetative functions, which is likewise partially hierarchic (or more accurately, heterarchic).

Incidentally, biological parallels of this type could also bring us closer to modeling the economy's evolution (something for which physical analogies are inherently unsuitable, despite the fact that economics is so fond of them, because of the importance it attributes to mathematical models). For example, they could be of some help in explaining an important moment in the economic system's evolution, one that logically derives from the preceding and the essence of which may be summed up as follows: Through repetition, an initially conscious state intervention may with time become "regular" and hence, temporarily or permanently, a part of the economy's self-regulation.

13. Applied to the state capitalist economy of our time, this procedure means that by definition we would more or less have to exclude from the range

of conscious actions, for example, the routine applications of discretionary budgetary and fiscal policies, or the periodic macroeconomic wage negotiations with government participation in some of the Western countries, because these too are "regular" to a certain extent: in the behavior of decisionmakers "specific impulses and signals produce specific consequences" (Kornai 1982b, p 138).

Marx proceeded differently when he perceived and described the capitalist system's "classical" evolution as a process stemming, throughout this system's entire historical period, essentially from the inherent laws of the "pure" (without the state and trade unions) private capitalist mode of production. This is another reason why the concessions which the state or trade unions, for example, are able to achieve are always only temporary ones.

Many people disregard this essential feature of the Marxian approach. Recently, for example, Baumol (1983) has used suspension points to omit key words from a quotation he cites to support his own interpretation of Marx (p 305, first quotation). Only in this way does he manage to prove, with reference to the trade unions' role, that the historical rise of real wages is not in conflict with Marx's standpoint. But likewise faulty is his argument that acceptance of the thesis of the real wage level's stagnation would be equivalent to accepting the "iron law of wages" that Marx rejected (which he did indeed). He should have pointed out instead that, in Marx's opinion, real wages will hardly rise within capitalism's historical horizon. But by "real wages" Marx means relative wages (wages in relation to profit), whereas real wages in their present meaning--the sense in which also Baumol uses this concept--agree with Marx's concept of "nominal wages." At least in Chapter I of "Capital" and in subsequent works. (Brody 1985 points this out, but adds the--to my mind--bizarre assumption that workers in our country have a fairly clear idea of the real wage level in the Marxian sense, which explains in part their--justifiable-- dissatisfaction with the evolved wage level and system of wage statistics.)

Another departure from the Marxian approach is that Kornai speaks of regularities and trends, whereas Marx prefers laws and occasionally even speaks of general, iron, etc. laws that assert themselves unconditionally and with the force of inexorable necessity. But for the most part this distinction is merely rhetorical. At least if we are to believe Gyorgy Lukacs, the world-renowned Marxist philosopher, who writes: ". . . in the overall picture that Marx's lifework presents, what is this economic necessity which his friends and foes usually praise or denounce with so little comprehension? We must emphasize at the very beginning the self-evident truth that what is involved here is not a process occurring by natural necessity, although in his polemics with idealism Marx occasionally does use expressions to that effect. However, we do call attention emphatically to the decisive ontological basis: the teleological cause-and-effect relationships brought into motion by alternative decisions. Consequently, in its specific content and essence, our knowledge of economic necessity is perforce of a post festum nature. Of course, general tendencies are discernible here. But in particular instances they assert themselves so unevenly that in most cases we are able to learn of their essence only after the fact . . ." (Lukacs 1971, pp 555-556).



14. Brus (1967) offers a very impressive discussion of this question.
15. As also Latouche (1985) has pointed out recently in conjunction with the Hungarian reforms' critical analysis, even among the present Western economists only a minority leaning toward the Hayek-Friedman school are free of such misgivings. I wish to note that, according to Heredi (1985), such misgivings about the socialist economies ought to carry even greater weight.
16. See Antal (1985a) on this.
17. Tamas Bauer (1982b) is the most prominent representative of this alternative in the Hungarian literature on reform.
18. Marton Tardos is the first designer and best-known advocate of this model. For the original formulation of his concept, see Tardos (1972).
19. The most detailed elaboration of this idea is the one by Laszlo Kotz (1983). See also Szabo (1985).
20. Any reader the least bit familiar with the Hungarian economic thinking in recent decades will now probably ask: Why is Tibor Liska's controversial model of "entrepreneurial socialism" missing from the listing of the economic reform's alternatives?

My respect for Tibor Liska and our friendship do not allow me to avoid a meaningful answer to this question by saying that his ideas have no chance of being realized anyhow, due to the evolved power structure's understandable opposition (here I have in mind the "night watchman" role his model assigns the state). The perennially youthful Liska, who hates evasive diplomatic answers the most and more ardently than anyone else I know, will certainly not take offense (and, of course, neither will his faith be shattered) if I frankly say instead: it is my considered opinion that his global utopia--because it embodies, with conclusions more extreme than the views of anyone else in the world, the schematism of the economic philosophy and individualism espoused by the economic school which absolutizes the possible role of market self-regulation--is not feasible in principle. At the same time I am no less firmly convinced that Liska's model, specifically with its stubborn adherence to one principle, is an outstanding product of the economic thinking of our time, both from a heuristic and a practical viewpoint.

Namely, the iron logic (evident despite the fragmentary exposition) of Liska's socialism model--this alone would not yet make his work unique in the history of economic thought--is subordinated to proving an entirely original theoretical hypothesis. For, in his view, not only does the abolition of privately owned capital fail to necessarily pull the rug from under market self-regulation (as I believe it does), but it even removes the last obstacle to market self-regulation's becoming universal: the ownership of capital linked to the individual. (Hence Liska's antipathy toward not only the bureaucratism of state socialism, but the range of ideas concerning self-managing cooperative socialism as well.) On the one hand, the integrated system of self-regulating markets would thereby

be supplemented with a "market of entrepreneurs" that would always place the best qualified persons in entrepreneurial positions. On the other hand, it would no longer be necessary to fear spontaneous tendencies toward restricting market competition, such as the concentration of capital under capitalism.

In Liska's economic philosophy, this is how a transubstantiation takes place from the reform alternative of "entrepreneurial socialism" into a model of real socialism, the latest link (pointing in the direction of the market's becoming universal) that logically follows after capitalism in the historical chain of the development of the modes of production in the sense of Marx's scheme; and the state capitalism of our time is transformed into a degenerate free-competition capitalism from which today's state socialism borrows, and even develops further, specifically the degeneracy, the rapid growth of the state bureaucracy. (See Gedeon 1986.) In other words, Liska does not regard his model as a utopia embodying a system of regulations devised in an ivory tower, although this is exactly what even his most knowledgeable and least biased critics reproach him for (Kornai 1985, pp 318-319; Berend 1985, pp 355-356). Instead, he sees his model as a new station (terminal?) in the world's development, one in comparison to which all other roads can only be dead ends or detours.

Perhaps the great relevance of Liska's work will be evident already from this sketchy presentation, albeit an unusually long one for a footnote; and also the reason why his work has been accompanied for decades by enthusiasm on the one hand, and only rarely dispassionate criticism on the other. The question that now remains is merely this: Of what specific use is Liska's model to us today?

The model's heuristic importance lies, to my opinion, in the opportunity it provides for theoretical experiments attempting to explore the extreme limits of market self-regulation's possibilities. In this capacity, by my judgement, the model ought to be included in every Eastern and Western university's advanced course in economic theory. The model's practical usefulness may become evident in the solution of business problems of the type where the objective is to work out the rules of the game whereby the incentive of the operator or manager (not the owner) of a business will maximally approximate the owner's interest. My feeling is that in this respect Liska's model could prove very useful as a starting point, in the training of students majoring in business administration, in the work of business consultant, and--turning back to the actual subject of this writing--within the socialist system's future "model" that will be outlined in the concluding chapter, to find organizational solutions for linking the two economies. (Barsony 1981 offers a detailed description of Liska's model. See also Liska 1985.)

21. Marton Tardos (1985, p 1296) remains confident on this issue even now: "If society recognizes the aspect of the capital incentive's appearance in the sector of the economy which excludes public utilities, and asserts this aspect in the legal system as well, then the managements of the enterprises will submit to the requirements of a return on capital." But the question is specifically whether in principle the capital incentive can be asserted in the legal system (and then, of course, in practice as well).

22. At the same time, competition between producers of the two economies as sellers is mild. In accordance with their different structural conditions, the producers of the two economies divide the market between themselves, even without any conscious collusion: each set of producers "expropriates" for itself a different type of clientele. (Galasi-Kertesi 1985 analyze the causes and consequences of this phenomenon, with the help of modeling.) I believe there is reason to expect that assertion of the evolutionary processes outlined at the end of this writing will produce a favorable change in this respect.
23. In one of my earlier writings (Gabor 1985) I have attempted to capture the essence of this "regulation schizophrenia" and of the consciousness schizophrenia that is reflected also in the economy's participants (the enterprise managers and workers). I now realize that not all elements of the different terminology I used there have been apt. Most importantly, I should have used "bureaucratic coordination" instead of "regulation based on directives."
24. See Gabor-Kovari (1985).
25. Under these conditions it is not surprising that statistical analyses find no correlation between the wages and salaries of either enterprise workers or chief executives on the one hand, and enterprise profitability on the other. (Regarding enterprise chief executives, see Szekely 1985; regarding enterprise workers, see Cukor-Kertesi 1986.)
26. Following Hungary's drive to organize cooperatives in the 1960's, the experiences of electing cooperative chairmen provides a concrete basis for such an assumption. (See Benno 1974, for example.) Heredi (1985) arrives theoretically at economic autonomy as a prerequisite for self-management.
27. See Angyal (1984) and Szalai (1984).
28. The fact that enterprise chief executives had from the very beginning exerted pressure against wage increases even in the period of directive planning and management, but at the same time had always strived to find some back door to higher wages against the government's efforts, is clear proof of this. (See Hegedus 1960 on this question.) Such behavior, reminiscent of trade-union officials, was obviously associated the most directly with the preponderance of bureaucratic and technocratic ambitions over entrepreneurial mentality and considerations of economic efficiency. In the final outcome this was a natural manifestation of their structural position in the bureaucratically coordinated, growth-oriented first economy.
29. The fact that national income and personal income rose at all in the 1979-1985 period, as the official statistics report, can be attributed to the growth of the legitimate second economy, broadly interpreted. In 1983, it already accounted for between 14 and 15 percent of national income, and 27 percent of earned income. And, according to the forecasts, in 1985 the traditional private sector, the household plots, the population's (statistically reported) income-supplementing activity, and the

new forms of entrepreneurship have jointly contributed between 17 and 19 percent of national income. It is also typical that by 1985, within the national economy's total savings as the source of net capital formation, the amount of personal savings (50 billion forints) matched the enterprise sphere's annual net capital formation. (These data are from Illes 1985.)

Timar (1985) uses representative time studies to arrive at the growth of the amount and relative weight of participation in the second economy, predominantly not in principal occupations. According to his data, the total man-hours worked in the second economy increased from 3.3 billion in 1967 to 4.6 billion in 1984, while at the same time the socialist sector's work year dropped from 9.9 to 9.1 billion man-hours. The figures for 1980 still were, respectively, 4.3 and 9.8 billion man-hours.

Regardless of how accurate they may be, these statistics and estimates are of course suitable to serve only as approximate information. For, in contrast with the unambiguous definition of the second economy's analytical concept, its empirical concept--for which statistics can be lined up--is inevitably more obscure. This is the same kind of operations research problem as the one that confronts Kornai; or Marxists, in conjunction with the concept of proletarian. (Regarding the latter, see Cohen 1980, particularly sections 4-6 of chapter 3.) When reflecting on the second economy of the future, we obviously must again assume a variety of specific organizational forms whose only common feature will be a relatively low degree of hierarchic subordination to the state machinery managing the economy. Perhaps the most important manifestation of this low degree of subordination will be freedom to discontinue operations and withdraw the capital.

30. The fact that such a relationship actually exists may be inferred from the campaign launched in the early 1970's, at the time when reform policy ground to a halt, against the so-called ancillary operations of the agricultural cooperatives, because allegedly these "semiprivate" businesses were harming the interests of the state sector's large plants. (Regarding this, see Rupp 1973.)

In response to the complaints of the large enterprises that the rapidly spreading ancillary operations were luring labor away from them, statutory regulations were soon in place that banned the setting up of new ancillary operations and, for a wide range of activities, required licensing of the existing ones by the branch ministry under whose competence a given ancillary operation's production structure fell. At the same time it is edifying that the setback these restrictions caused the ancillary operations was only a temporary one. And this, paradoxically, can be attributed to the large enterprises themselves. They were soon forced to realize that their competitors in the labor market were indispensable business partners, and they themselves lobbied their supervising agencies to issue the required licenses. (The lengthy licensing procedure "merely" obstructed the flexibility essential for adapting to the market.)

The agricultural cooperatives' ancillary operations are still spreading: during the past 7 years alone, their share of gross production in the

socialist sector of agriculture has increased from 20 to 29 percent (Illes 1985). A contributing factor to their spreading, and simultaneously to the fading of their entrepreneurial nature, has been the extension, in the first half of the 1970's, of the state enterprises' so-called average-wage regulation to include agriculture as well. This gave the cooperatives an incentive to swell the work force of their ancillary operations by hiring workers paid low wages ("diluting the work force"). But so-called wage bill regulation, introduced for a wide circle of the state sector's industrial enterprises in the second half of the decade, produced effects leading in the same direction. It compelled the enterprises to farm out some of their work to ancillary operations, as custom processing which could then be charged to cost, and the taxes saved on the wages of the additional work force that otherwise would have been necessary could be used to raise the wages of the remaining workers.

Fekete (1984) offers a comprehensive analysis of the motives behind the small-business policy of the 1980's, the decisionmaking processes of the managing agencies, and the behavior encountered in the course of implementing the decisions.

31. See Laky (1984a).
32. On the example of the enterprise workers' business partnerships, Stark (1986) convincingly demonstrates the relationship between these phenomena and the economy's bureaucratic coordination. Enterprise studies confirm his theoretical reasoning that, together with the chronic input-side uncertainties, the state restrictions on the enterprises' freedom to raise wages--such restrictions being a necessary concomitant of bureaucratic coordination--naturally lead to the development of an "intramural labor market." Which essentially means allowing the workers to compete as quasi-subcontractors (within certain limits, of course), partially for autarchic objectives. (On the nature and limits of this competition-cum-bargaining, see also Kovari-Sziraczki 1985, and Revesz 1984.)
33. Szalai's (1985) series of nonrepresentative interviews attests to the intellectuals' lack of interest in economic reforms.
34. See Soos (1984 and 1986).

I wish to note that, considering the above assessment of the prospects, it is not very apt to regard reforms as the outcomes of bargaining between reformers and macroeconomic management. It would be more apt to say that the strength of the compulsion to adopt reform measures is weighed against the available options' side effects rebounding on the decisionmakers. Therefore, I believe, spreading awareness of the reforms' realistic final limits could reduce the resistance to ever-newer reform measures, besides helping to avoid the (in part) ideologically and politically inspired "antireformism" of the kind we saw in the first half of the 1970's, and examples of which could be found in the early 1980's as well. (Compare Voros 1974; Benke 1975, especially p 201; and Szego 1983a and 1983b.)

35. Recently Timar (1985) has come out in support of an evolution in this direction. My standpoint differs from his only on a single side issue. Namely, although I too regard as urgently necessary a correction of the present conditions of regulation--including the tax regulations--that offer an unwarranted advantage to persons gainfully employed in both economies simultaneously, over persons with principal occupations in the second economy, I would consider reversal of this discrimination equally inexpedient. I would doubt its justification as a strategic step, and its effectiveness as a tactical one. (The extremely limited use of the MUFA or Technical Development Fund, which offers private artisans financing on very favorable terms to expand and modernize their shops, is an edifying example to illustrate that, under the present conditions, not much could be expected from preferential treatment of principal occupations in the second economy. See Rona 1985.) Revesz (1985) foresees an evolution partially in the same direction, but with different emphases.
36. We may imagine this state of natural equilibrium as dynamic equilibrium maintained or modified by the actual or potential transactions between the two economies' organizations, for payment freely arrived at by mutual agreement.
37. The antagonism of this relationship is generally contested in Hungary, and even by several Western observers (Marrese 1980, and Holzman 1981). Although Hegedus-Markus (1978) do not mention antagonism outright, their line of reasoning seems close to the exposition presented here.
38. This is another reason why we have been referring throughout the preceding to a new approach to the socialist economy, the approach that is emerging on the basis of Kornai's works, as the nascent paradigm. For, as an unavoidable intermediate step, these works intentionally narrow down the theoretical analysis of the socialist economy's operation, to exploring the regularities of the state sector's operation.  
  
One of the possible next steps is obviously the removal of this limitation, to obtain a comprehensive theoretical model of socialism, one which --if we accept Grossman's (1967) view that economies can best be compared by contrasting their models--could then be contrasted, scientifically in a truly fruitful manner, with a model of state capitalism constructed on the basis of the same methodological principles.
39. Primarily Mihaly Bihari (1982) presents what may claim to be a theoretical outline of the necessary political reforms. Zsuzsa Ferge (1984-1985) does the same for social reforms.
40. Typical of the public mentality at the turn of the decade was that any mention among economists of the concerns regarding the open unemployment which could be expected to result from additional reforms was considered to be in bad taste. Indeed, even the views which explicitly approved of unemployment (e.g., Bihari 1981) were rejected only later (e.g., by Timar 1983). A change appears imminent in this professional mentality, due in no small part to the empirical and theoretical studies by Janos Kollo and Karoly Fazekas (see, for example, Fazekas-Kollo 1985).

Incidentally, here it seems in order to note that Brus in his cited book (1967 [Hungarian edition's year of publication], pp 16-17) distanced himself already in 1960 from the idea favoring unemployment in the socialist economy, while emphasizing the unfavorable effects of full employment upon labor discipline and the enterprises' labor turnover.

Or the idea, raised among sociologists around that time, of setting up a Ministry of Social Welfare (to end the outdated situation in which most welfare matters are concentrated under the same central agency that is in charge of labor affairs), has been made public only about now (Gyori 1984-1985), without any public response so far.

41. Antal (1985b) also emphasizes the sociopolitical importance of the development of local autonomies.

I wish to note that the increased importance attached to autonomies independent from the state is reflected not only in the calls for political representation, but also in the opposition to the state paternalism that now permeates social policy as well. (See Ferge 1985, Szalai 1984-1985.)

42. Thus I am unable to fully concur with Bauer's (1985) view that in reforming the political mechanism we can make do even with slow progress, unlike in the economic system where determined further changes will be inevitable in the immediate future. I myself regard determined political (and social) reforms, here and now, at least equal in importance to that of the economic reforms, and no less urgent. This difference in our standpoints is, I believe, a natural consequence of our difference of opinion regarding the possibilities of market self-regulation in the state sector, and the essence of the evolution which can be expected on this basis in the wake of the economic reform's continuation. The gist of this difference of opinion I would characterize, with aphoristic succinctness, as follows: Instead of placing the main emphasis in the reform's continuation on "the second economic reform and property relations" (Bauer 1982b), I would place it on "the second economy's reform and property relations."

43. These adjectives are a reference to the terms "feasible" and "viable" used by Nove in his latest book (1983), and in its review by Brus (1985). I would like to note that my standpoint outlined here is evidently closer to that of Brus, but this is far from an indication of complete agreement. That should be obvious, I would think, already from our different professional backgrounds and personal careers, not to mention the different nature and extent of our personal involvement in the discussed problems (which in my case means a common lot, in contrast with his status of a sympathetic observer from abroad). This is probably also the source of the main difference between us: Brus ponders the prospects of "a viable socialism's feasibility," whereas I reflect on the prospects of what, to my mind, is "the viability of existing socialism." The idea keeps recurring that in my place and age, here and now, Brus too would be seeking an answer to the question formulated in this manner. And on this same principle, of course, I think I understand why Alec Nove is not pondering "the feasibility of a viable socialism," but is satisfied with systematizing his vast theoretical and up-to-date concrete knowledge of a socialism which, in his opinion, "might be feasible."

44. Szelenyi (1982, p 33) points this out.
45. Cf Mrs Falus (1986). Regarding the causes and the therapy, Hethy-Vass (1985) and Mrs Molnar (1986) adopt standpoints essentially different from the one presented here.

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ECONOMY

YUGOSLAVIA

# ECONOMIST SHOWS ERRONEOUS CALCULATION OF NATIONAL INCOME

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 30 June 86 pp 32-32

[Article by Dragoljub Stanisic: "How Large Is National Income"?]

[Text] Recently, much has been said and written about the fact that the personal income of the workers in the economy is becoming a much smaller part of the overall income. The increasingly greater expenditures from the economy for joint and general social needs are cited as the reason. On the other hand, some writers are placing most of the blame on reserves and the excessive stockpiling of them. Finally, the fast increase in the economy's expenditures for interest payments is also being cited as an important reason for the fact that there is less and less money available for personal incomes. Even without detailed research, it is easy to reject at least some of the above arguments. The position of nonproductive activities, particularly some social services, could not be characterized as especially favorable. Interest on dinar loans continues to be negative. What is more, the difference between the inflation rate and realized nominal interest rates is increasing, and the real growth of reserves is not spectacular. If one were to add to this a decrease in real investments in the basic funds, one could ask where does the income go if most of the components are decreasing? Statistical data indicate that national income, as measured in constant prices, has increased even during the time of crisis (beginning in 1980). The answer to most of these questions lies in the fact that the amount of income is not as large as it is being presented in official statistics, and its fall in recent years has been very pronounced. Proving these assertions is the main goal of this article.

## What Do the Statistical Data Say?

In presenting statistical data, we will limit ourselves to the 1980-1984 period. This will make it possible to gain an overview of certain changes that have taken place in the past planning period (minus 1985, because some of the basic data for that year are not yet available). We will present the structure of national income broken down according to: 1. Net personal wages of the workers employed in production activities; 2. net accumulation in these activities; 3. funds earmarked for contractual obligations and special purposes; 4. and funds earmarked for other joint and general social needs. This presentation deviates a little from the usual ones found in social accounting sheets. Namely,

component 1, in addition to net personal incomes and other types of monetary income, as well as the value of services provided by various producers that are put to personal use, contain the income that the workers receive from joint consumption funds. Net accumulation in production activities is brought about by funds that expand the financial basis of production, funds held in reserve by associated labor, and joint consumption funds invested in production activities. Contractual obligations and special purpose funds (including interest on loans, insurance premiums, commissions, etc.) have been set aside from the other funds for joint and general social needs, primarily because of interest, which of late has been a very frequent subject of discussion. Table 1 presents this structure of national income.

Table 1

Structure of National Income

in percentages

year	net personal income of workers in production activities	net accumu- lation in production activities	contractual obligations and special purpose funds	other resources for joint and general social needs
1980	42.5	17.0	8.0	32.5
1981	43.8	17.3	7.4	31.4
1982	44.5	15.8	8.9	30.8
1983	43.3	14.9	11.0	30.8
1984	39.8	17.8	12.8	29.6

Source: This was calculated from the data contained in the balance sheet for production activities and investments (SGJ [expansion unknown] 1985, pp 148 and 153).

Personal income as a percentage of national income increased in 1981 and 1982. In the following two years, it fell by 4.7 percent each year (for a total of 11 percent). Most likely, this trend continued and became even more pronounced in 1985 and the beginning of 1986. In contrast, in the 1982-1984 period, the funds for contractual obligations and special purposes (where interest on loans has a dominant role) increased as a percentage of the income by 5.4 percent (73 percent). In light of this, it would seem that those writers who speak about the deteriorated position of the worker in the economy and the increasing burden of interest payments are correct. This conclusion would be even more convincing if one were to present data pertaining only to the social sector. The only thing that could not be said is that the percentage taken up by the other funds for joint and general social purposes is increasing. On the contrary, the downward trend is clearly visible.

Data on investments in revolving funds indicate a spectacular growth in this area during the period in question. The percentage of national income that they take up has increased from 14.4 percent (in 1980) to 24.9 percent (in 1984).

As far as the analysis presented below is concerned, it is important to state that the quantity of products stored up in reserves, measured by the current national income, has also increased, from 56 percent to 70.4 percent. These data (presented in Table 2) vindicate those authors who attribute the deterioration in the position of the workers in the economy to the excessive investments in revolving funds.

Table 2

Reserves and investments in reserves as measured by the national income--social sector--given in percentages

Year	Relationship between reserves and national income	Percentage of national income taken up by investments in reserves
1980	56.0	14.5
1981	56.6	16.3
1982	61.1	15.9
1983	68.0	20.1
1984	70.4	24.9

Source: Calculated from data on national income expressed in current prices (SGJ 1984, p. 163; SGJ 1985, p. 163; Communiqué from the Federal Institute for Statistics number 485 of 18 December 1984, p. 4), reserves (Indicators Regarding the Results of Work and Conduct of Business of the Organizations of Associated Labor in the Social Economy of Yugoslavia, the Republics and the Provinces --According to Data from the Final Balance Sheets of the Organizations of Associated Labor for 1984; Federal Institute for Social Planning, Center for Econometrics and Data Processing, Belgrade, 1985; as well as appropriate publications from 1981, 1982, and 1983), and investments in revolving funds (SGJ 1985, p. 152).

#### Official Statistical Data Do Not Correspond to the Actual Situation

A cursory glance at the data contained in Table 2 reveals that investments in reserves are enormous (in 1984 alone, one fourth of the total national income of the social sector was invested in reserves). On the other hand, the real growth of reserves (measured by the national income) is not at all spectacular. This paradox can be easily explained. Statistically, the nominal growth of reserves, i.e. the difference between two successive stages in the amount of reserves, as calculated in current prices, is counted as a nominal growth in reserves and an investment in revolving funds (reserves). In view of the fact that most of the reserves are automatically reappraised, the increase in the value of the reserves can be broken down into what is due to changes in prices (fictitious increases in reserves) and the remainder, which represents a real increase in reserves.

Counting the nominal growth in reserves as investments in revolving funds also creates errors in social accounting regarding estimates of accumulation (which was allegedly used to finance such inflated investments into revolving funds).

The errors are then carried over into national income and social product. In order to find out the real structure of income, it is necessary to estimate the growth of reserves that is due to increases in prices and then reduce by that amount the nominal growth of reserves, net accumulation, and income because no accumulated funds were used to finance that part of the growth that came about because of changes in prices. We will not present the procedure for estimating fictitious accumulation, but only some of the end results (1). It turns out that fictitious accumulation has caused the income to be overestimated by 12.2 percent in 1980. The growth in inflation has also caused the aforementioned fictitious component to grow, so that it reached 25.4 percent of national income in 1984. The fact that the official report on national income portrays it as one fourth larger than it actually is could have a shocking effect. What is even more important, however, is the fact that in the 1980-1984 period the real national income (in 1972 prices) has decreased by 8.4 percent (i.e., by an average of 2.2 percent annually). This is in serious contradiction with official statistics according to which national income in that period increased by 2.4 percent (or 0.6 percent annually on the average).

If we take the income, in constant prices, of the worker employed in the economy as a measure of labor productivity, official data indicate that this important indicator of development has fallen by 6.6 percent (an average of 1.7 percent annually) during the 1980-1984 period. Reconstructed data on real income show that this decrease was considerably greater (16.4 percent during the entire period, or an average of 4.4 percent annually).

When one recalculates the structure of national income on the basis of these reconstructed data (Table 3), the picture that emerges is completely different from that in Table 1.

Table 3

Structure of National Income -- Reconstructed Data

in percentages

Year	Net Personal income of workers in pro- duction activities	net accumulation in production activi- ties	contractual obliga- tions and special purpose funds	other funds for joint and general social needs
1980	47.7	6.8	8.9	36.5
1981	50.8	4.2	8.6	36.4
1982	50.5	4.4	10.1	35.0
1983	51.1	-0.4	13.0	36.3
1984	50.0	-3.1	16.1	37.1

On the basis of data in Table 3 it is no longer possible to draw the conclusion that the percentage of total income taken up by net personal incomes (and other types of income) of workers in production activities has been decreasing. On the contrary, in comparison with 1980, it has even increased. Deviations from the average are slight (the coefficient of variation is only 2.7 percent), and so it could be said that the relative position of workers in production activities has essentially not changed in the 1980-1984 period, and that it has not



deteriorated at all. We will reach a similar conclusion if we look at the funds for joint and general social needs. Here as well, variations from the average are slight. Standard deviation is less than 1 percent and the coefficient of variation is 2.1 percent.

Net accumulation, according to Table 3, not only takes up only a slight share of national income, but its tendency to decrease was such that in 1983 and 1984 it achieved negative values. This means that the entire Yugoslav economy in those years did not accumulate a single dinar of its own, and that the losses "ate up" part of the amortization as well. On the other hand, funds for contractual obligations and special purposes showed a very fast growth (primarily because of interest on loans). Their share of the income increased by 7.2 percent (or 81 percent). Still, it should be emphasized that these last two components of the income require additional reconstruction. Inflationary conditions totally deform the structure of the payment, and its division into interest and principal. When the real interest rate is negative, as is the case with domestic dinar credits, the entire amount of interest represents a repayment of the principal, because the real decrease of debt is greater than the payment. Consequently, the component of income designated "contractual obligations and special purpose funds" also contains a part of the accumulation. If one were to reconstruct this as well, the previous conclusions regarding the steep decrease of net accumulation and fast growth of contractual obligations in the national income would have to be moderated to a certain extent.

Finally, let us note that investments in revolving funds (i.e. the real growth of reserves) in the 1980-1984 period accounted for approximately 2 percent of national income, which is at drastic variance with the official data presented in Table 2. One could not therefore talk of excessive investments in reserves, and blame them for the deterioration of the workers' relative position in the economy.

It is evident that the available data are almost useless for gaining a direct insight into the situation surrounding the distribution of income, because what was presented as income is not the entire income, accumulation is not accumulation, and interest is not interest.

(1) If the reader is interested, we suggest our article entitled: "Inflation as a Consequence of Low Level of Self-Financing in the Economy," PRIVREDA number 4/1986.

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ECONOMY

YUGOSLAVIA

#### CHANGES IN ASSOCIATED LABOR LAW PROPOSED, DISCUSSED

[Editorial Report] On 25 August 1986 BORBA (Belgrade) on page 1 announced a "new phase" in discussions on changes in the political system which are to begin early this fall. After an almost 4-year debate initiated by the 12th LCY Congress and three years of work in the federal Social Council for Questions of the Social Order, the Critical Analysis on the Functioning of the Political System is now entering the phase of discussion on concrete suggestions for changes in the Constitution and the Law on Associated Labor [ZUR], it says.

"Judging from recent statements made in Kotor by Sinan Hasani, president of the SFRY Presidency, work on concrete suggestions for constitutional changes will begin next week."

"At the moment...a work group within the Social Council is preparing a text on constitutional changes, while the commission for monitoring and implementing the Law on Associated Labor within the SFRY Assembly has brought out theses for formulating a law on changes and additions to the ZUR."

BORBA then opens the discussion with a series of six articles on changing the ZUR, noting that 109 points have been proposed for changes affecting one-third of the 671 articles of the law. Suggested changes include "shortening the 42-hour work week (to 36 or 40 hours), simplifying the transfer of workers from one OOUR (basic organization of associated labor), to another within the same work organization, issuing joint regulations for all basic organizations in a work organization, strengthening the work organization [rather than OOURs] and promoting more rational use of funds by maintaining one unified account, maintaining bookkeeping functions in the work organization and not in OOURs, electing supervisors by secret ballot, reducing the number of issues on which referendum decisions are made in OOURs, and making it easier to dismiss idlers in OOURs."

The proposed change of greatest interest is that pertaining to the two-part personal income consisting of a base salary and a salary dependent on the operation of the enterprise, it said. Other changes involving self-management decision-making by workers include: making more concrete the issues to be decided on, narrowing the number of issues to be decided by referendum, and strengthening the workers council as an organ of administration and coordinator of delegations and other self-management organs in OOURs.

In regard to reducing the number of questions OOURs can decide upon by referendum, BORBA says that referendums have often been simply a "procedural formality which has turned into manipulation,...and by narrowing the number of questions to be thus decided upon, the responsibility of the workers council is strengthened."

It was also proposed that decisions of workers councils in work organizations will be made by majority vote and only specific decisions will be made by agreement with OOURs; and that workers councils will name and elect by secret ballot the directors of OOURs.

Finally, according to the new law, it will be easier to lose one's job, than is the case now, because of unjustified absence, negligence resulting in damage such as a fire, etc., failure to respect safety rules, illegal distribution of social funds, abuse of one's position, and divulging business secrets. Disciplinary decisions are also to be expedited.

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ECONOMY

YUGOSLAVIA

#### PRICE FREEZE SEEN PRODUCING EVENTUAL INFLATION, MORE REGULATION

[Editorial Report] According to a report in the Belgrade daily BORBA (2 September 1986, page 6), the latest analysis of the Ljubljana Economic Institute, headed by Dr Aleksandar Bajt, noted that while increases in prices, the cost of living, and inflation slowed somewhat at the beginning of the second half of this year, "it cannot yet be said how much the Federal Executive Council (FEC)'s 'July measures,' i.e., price and salary freezes, contributed to this." However, unlike similar freezes in previous years, the analysis expects this lowering of the inflation rate to be of longer duration, mainly because of the basic expectation that economic policy will be more uncompromising in preventing price increases. The Institute's report said that control of prices and personal incomes remains the most important and perhaps the only effective method of the FEC's anti-inflation strategy "which is relying on the effect of supply and demand, since other components of the strategy are either illusory (such as import intervention, especially from the clearing market) or are directly against stabilization (such as lowering the value of money)." However, the Institute says that there will be a number of problems and a high price to pay in lowering inflation, especially in regard to "converting from an administrative to a market formation of prices." It is evident, the Institute warned, that the different rules of the freeze (shifting price formation from one system to another) and the penalties "inevitably overlook the problems in the relative relations of prices which are one of the key reasons why inflation in a market economy cannot be overcome by administrative price control... This problem cannot be solved by any criteria based on 'normal' prices and 'normal' behavior, but only by the influence of market uncertainties."

The report explained why every lessening of control after a freeze results in rapid price rises; first, "because producers whose prices are controlled hurry to compensate for losses which arose during the freeze, and second, producers incorporate into the increase or in requests to increase, anticipated future freezes from which one can be protected only by increasing prices 'at the right time.' This is what happened after 1980. The longer the freeze, the relatively more intense will be the shifts after prices have been unfrozen, and the higher the general price increase. As a result, the inflationary expectations of the population and the economy also increase. Thus, the transition from administrative to market formation of prices can be a test of the success of an economic policy in

overcoming inflation. However, with time, the lessening of controls becomes more difficult because the imbalance and inefficiency of the economy increases. Because of this, the tendency of economic policy to extend controls increases as well as its tendency to change from economic operation based on the market to administrative operation. Namely, administrative regulation of prices gradually imposes the need also for administrative regulation of production."

As a sign of increased state control the report cites the recent regulation that bakers must use a certain percentage of lower grade flour. And it concludes that the "decision of the government to persist in the present way of overcoming inflation...increases the volume, the need, and the costs of administration in the economy itself."

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ECONOMY

YUGOSLAVIA

OFFICIAL NOTES WRONG METHOD, RESULTS IN ENERGY PLANNING

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 30 Jun 86 pp 27-28

[Article by Dragoslav Nedeljkovic: "Fortune-Telling Instead of Planning"]

[Text] In the next few years, the prices of oil on the world market will not rise significantly. The question is, however, how long will this last? The fact is that the world did not react in a tumultuous manner to the fall of oil prices in 1985 and 1986, and in 1986 consumption will rise only by 1 percent even though prices have been almost halved. Still, a more detailed examination of the energy future clearly indicates that the prices of oil and other types of energy will once again rise.

As far as oil is concerned, it is possible to predict the course of events. Even though the prices are falling right now, oil reserves are small and they have not increased in the past few years. Low prices even discourage investing in new exploration. In the United States, which is the world's second producer, the deposits are such that by the end of the century production will fall by 50 percent. This will have to be made up through imports. In other parts of the world, consumption will grow, especially in the developing countries. In the last 10 or 13 years, the developed part of the world has decreased its oil consumption, but now there is a gradual increase. Analyses prepared for Japan, China, and the ASEAN [Association of Southeast Asian Countries] countries indicate that in the next 15 years these countries' consumption will increase by 50 percent. This would mean a daily increase in consumption of approximately 10 million barrels, while the critical point for OPEC and other producers is an increase of about 6 million barrels.

While it is difficult to predict whether Chernobyl will be a turning point in the utilization of nuclear energy, energy from nuclear power plants is definitely very uncertain. A recent survey indicates that 78 percent of Americans are against the building of nuclear power plants. In my opinion, there are two roads before us if we wish to avoid new dislocations and energy crises: one is to substitute other energy sources for oil, and the other is conversion of energy (this implies conservation, rational consumption, and better utilization).

Still, we all predict the future by gazing into the crystal ball. Nothing of what was said is certain to happen. Stated briefly, this is the gist of a talk by Professor Elihu Bergman, the director of the association "Americans for Energy Independence," recently given in Belgrade. He is a known energy expert.

## Divisions Instead of Consolidation

It so happens that the American professor's lecture coincided with the decisions of the Yugoslav Presidency, which insist on the adoption of a long-term plan for energy development in Yugoslavia and a joint plan for the production of electrical energy. The energy balance sheet of Yugoslavia for 1985 is due to be published these days by the Federal Institute for Statistics. This is the fifth such balance sheet, prepared on the model of similar documents from the most developed countries. The very topical themes dealing with energy planning, dilemmas surrounding nuclear power plants, and trends indicated by the balance sheet have prompted us to talks with Boris Judin. He and a group of experts in the Federal Institute for Statistics have worked out the methodology and prepared the energy balance sheets.

To begin with, it is necessary to understand that the energy balance sheet is the document that indicates the structure of primary energy, the system of transformation, the flow of energy, and the consumption of energy during the previous year. It is not the customary projection of production and consumption for the upcoming year. From the balance sheet, one can gain a very clear and precise insight into the utilization of all sources of energy, how much energy has been converted into mechanical and heat energy and to what extent, as well as a host of other data essential for creating and conducting an energy policy. Still, even though the Federal Institute for Statistics has been publishing the energy balance sheet for five years, this document is not utilized at all by the authorities in planning, studying and implementing energy policy. It is utilized only by experts, institutes, and individuals such as Academician Hrvoje Pozar for their own studies and analyses.

It is an interesting fact that the experts from the World Bank have taken this document published by the Federal Institute for Statistics, translated it, and included it in their book on Yugoslavia's energy structure, while literally not a single domestic authority, planning institute, or energy committee has used it. By looking at the upside-down method of energy planning, one can understand why. For decades, the annual and long-term energy development plans for Yugoslavia have been adopted by gathering the republic and province plans. The balance sheets have been adopted in accordance with the desires and interests of the various regions, "with the concurrence" of the Federal Executive Council and the republics and provinces, or else "through the cooperation" of the eight socio-political communities. In doing this, energy plans were backward: one did not start out with the ultimate needs of the consumers in order to arrive at the necessary primary energy; instead, one planned for production and consumption, and the imports of primary energy and one never knew what the consumers would get and how much, or whether they would get the kind of energy they needed.

It is very significant that the energy balance sheets of the Federal Institute for Statistics note that heat, i.e. hot water and steam, constitute 20 percent of all the energy, and that the plans and projections do not even mention this category. Heat is simply not mentioned anywhere and no one takes it into account. Electrical energy production, for example, accounts for 24 percent of the final energy consumption, and there are specialized electrical energy institutions at the federal level, at the level of the republics and provinces, and organizations and associations. Several institutes are involved in it and plans and

analyses are prepared. On the other hand, heat, which has approximately the same importance, is not mentioned anywhere.

#### The Base Exists, But ...

While the lack of even basic statistical data has for a number of years been the excuse for such a system of planning and conducting the energy policy, this excuse has ceased to be valid in 1982, when the first energy balance for Yugoslavia, for the year 1981, appeared. Still, things are done as before. Boris Judin, the head of the team preparing the balance sheets at the Federal Institute for Statistics, thinks that the administration's resistance is great but also understandable. Still, that is not the essence of the problem. As one of the bases of the economy, energy has a universal importance and is present in all the branches of the economy and all aspects of life. For that reason, every country's energy system must be unified, like transportation, education, health care, etc. By its very nature, energy does not tolerate division and fragmentation. Stated more clearly, such things disturb its technical and technological integrity and make energy more expensive. In Yugoslavia, artificial dilemma has been created, namely do the creation of a unified energy system and the application of energy balance as a method of central planning have anything to do with centralism as a socio-political system?

To tell the truth, other countries faced similar uncertainties in preparing balance sheets and energy plans, even though they may not have had to deal with our specific internal conditions and divisions. The main reason is the fact that one approached the balance sheets and the planning separately for each type of energy, such as coal, oil, and electrical energy. Only after the appearance of the "energy crisis" did the world begin an overall balancing of energy, in which the various types of energy do not just compete with each other, but also supplement and substitute for each other and are all subject to the broad goals of social development. It was demonstrated that contemporary methods of energy balancing, also applied by our statistics institute, make possible successful implementation of policies, not only in the area of energy, but also in the structuring of the economy, selecting those areas of the economy that are to be encouraged, and eliminating "dirty" technologies and those that waste energy.

As early as 1969, at a symposium on energy organized by the Serbian Academy of Arts and Sciences, Academician Hrvoje Pozar presented methods for optimizing the structure of energy. Somewhat later, Pozar prepared a macro-project for an energy balance sheet, but it was only 10 years later that the Federal Executive Council assisted in having the Federal Institute for Statistics begin with preparations for doing the balance sheet.

The series of balance sheets for the five years clearly points out Yugoslavia's wanderings in the area of energy. Between 1981 and 1985, the consumption of primary energy grew at an annual rate of 9-10 percent, while the consumers' use grew at a rate of 4-6 percent. In 1985, there was a change: primary energy stayed at the same level while final consumption decreased by 3 percent. It is clear that the structure of energy consumption, especially primary energy consumption, is changing, and one could also draw more far-reaching conclusions if one were to examine the trends in more detail. All five documents make very



evident the fact that we have refineries capable of processing 30 million tons of oil annually, but we are utilizing less than 50 percent of their capacity. This means that some of the refineries or some of their machinery will become technologically obsolete and end up on the junk heap without ever having been utilized. How can they be made to pay for themselves?

The situation with mazut-powered thermal electric power plants is similar. For the most part, these power plants are idle. The balance sheets indicate that republic and province divisions have caused absurd situations. While refineries are standing idle, oil products, especially mazut (1.3 million tons last year), are being imported in spite of the fact that it would be far more economical to import crude oil.

The Federal Institute for Statistics is trying to create a computerized data base and make possible the use of models in the plans for energy development. Academician Pozar has prepared models for simulating and optimizing energy use seven or eight years ago. It is only now, however, that plans are being made for computerisation and the use of models. The problem, however, is a great one. Developed countries are very active in the use of computers and computer models, and we could benefit greatly from these things. They will be worthless, however, if they are not used, as is the case with the energy balance sheets.

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ECONOMY

YUGOSLAVIA

#### ENERGY PRODUCTION LAGGING BEHIND NEEDS OF ECONOMY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 Aug 86 p 5

[Text] Production in the fuel and power industry achieved a cumulative growth of 5 percent over the first half of the year. Compared to the global projection for development of production this year that rate certainly could be evaluated in different ways and could even be seen as satisfactory, although there are those who think that it would not have been enough even at a considerably higher level when measured by the needs of the Yugoslav economy.

The development of energy production has not come close to being in line with the growth of needs for many years, so that even a considerably more dynamic growth would have a very difficult time reaching the necessary proportion, at least of the global optimum. Without neglecting the absence of a long-range development strategy, nor the implications which realistically must accompany this situation, and still less the fact that the system for financing expanded reproduction in this complex has not been built up, numerous issues aside from that are demanding answers, and indeed they are doing so individually in all sectors of the fuel and power industry. The organizational factor certainly should be referred to as a very striking problem, since under somewhat different overall organizational conditions the overall results would also have to be at least a shade better. The cumulative growth rate of production in the first half of the year was pulled up by the production of petroleum products and to some extent by the production of electric power, since the influence of the low statistical base in the first month or 2 of 1986 has not yet been exhausted. Although the summer months and weather conditions are favorable for production, production in June throughout the complex, with the exception of the production of petroleum products, was mostly unsatisfactory since in real terms it was below the volume achieved in May of this year (Table 1).

As a whole the fuel and power industry showed a 1.2-point slower growth than the industrial sector as a whole, and independently of the globally projected growth rates, when we assess our needs, it has been basically inadequate to give any very dynamic boost to economic growth, which possibly could be achieved in the early fall, which is also when consumption increases sharply.

The electric power sector showed an average cumulative growth of 4.5 percent over the average monthly production last year. However, June (nor was it alone) was all of 7.2 percent below last year's monthly average, which has to be seen as a specific trend overall.

Table 1. Physical Volume of Production in the Fuel and Energy Complex, in percentage

<u>Indicator</u>	<u>Industry, total</u>	<u>Fuel and Power Industry, total</u>	<u>Electric Power Industry</u>	<u>Coal Mining</u>	<u>Coal Processing</u>	<u>Petroleum and Gas Production</u>	<u>Production of Petroleum Products</u>
May 1986 relative to 1985 average	4.0	-2.7	-4.8	-2.0	4.2	-1.9	2.3
Jun 1986 relative to 1985 average	6.7	-7.2	-8.1	-11.3	0.8	-14.9	12.3
Jan-May 1986 relative to 1985 average	4.3	4.5	8.2	-1.3	0.7	-0.3	7.8
Jun 1986 relative to May 1986	2.6	-4.7	-3.5	-9.4	3.3	-13.2	9.8
Jun 1986 relative to Jun 1985	4.4	0.7	4.3	-6.0	3.2	-6.7	4.2
Jan-Jun 1986 relative to Jan-Jun 1985	5.2	5.0	4.8	4.9	2.5	1.3	12.6

Source: SAOPSTENJE, publication of the Federal Bureau of Statistics, No 287.

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ECONOMY

YUGOSLAVIA

DATA ON ELECTRIC POWER PRODUCTION, EXPORT GIVEN

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 Aug 86 p 5

[Text] From the standpoint of practice, this industry has not been organized as a unified economic, organizational, and self-management system because there exist several electric power systems organized as a community, as a complex organization, or as a work organization.

It has been asserted that technological unity exists and it is probably true that the electric power system can function as a unified whole. Still, though, one cannot overlook the fact that the pattern of organization of this system does indicate the essential characteristics of inefficiency, and in spite of the commitment to eliminate as much as one-third of the present price disparities during this year, the possibilities for development continue to be diminished, and this means that in the present organization there are not enough integrative elements from the standpoint of the entire economic area of Yugoslavia.

The fragmentation of the large entities by its very logic prevents reaching the level of the global optimum, and in this connection we should not overlook the relevance of coal mining to the generation of power. The discussions related to construction of nuclear power plants, which by this point have become exhausting, might better perhaps be channeled into the possibilities for more optimum consumption and also production in the present system, if for no other reason than so as to bring opinions closer together about the price of energy in a realistic context.

For a long time now the tiresome price increases have been showing more and more that energy is in any case becoming an ever more essential cost on a permanent basis, while opinions about its price are divided.

Within the electric power industry production of the principal products reached the volume shown in Table 2 on a cumulative basis for the first 5 months.

Over that same period the electric power industry achieved exports worth 5,189 million dinars (as against 4,853 million dinars in the previous year), while imports were valued at 4,855 million dinars (as against 6,231 million dinars in the previous year).

Table 2. Electric Power Industry, in millions of kwh

<u>Indicator</u>	<u>January-May</u>		<u>Index</u>
	<u>1985</u>	<u>1986</u>	
1. Electric power industry as a whole	33,123	34,679	104.70
Hydropower	12,084	14,963	123.82
Thermal power	18,902	17,504	92.60
Nuclear power	2,137	2,212	103.51

Source: INDEKS, publication of the Federal Bureau of Statistics, No 7, 1986.

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ECONOMY

YUGOSLAVIA

OIL, GAS PRODUCTION SHOW DECLINE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 Aug 86 p 5

[Text] Neither oil nor gas production has achieved the average monthly growth from last year. Here again there is no basis for believing in any very essential change of the trends, especially when we take into account one more unfavorable factor, one that is exceedingly relevant--the fall in oil prices on the world market. The special resources which are being set aside for oil and gas exploration--through the price of oil and gas products--are hardly sufficient to overcome the situation that has arisen, so that the possible adverse consequences could be coming--but later.

Production of the basic products in the oil and gas sector is shown in Table 4 on a cumulative basis for the first 5 months.

Table 4. Oil and Gas Production

<u>Indicator</u>	<u>January-May</u>		<u>Index</u>
	<u>1985</u>	<u>1986</u>	
Crude petroleum (thousands of tons)	1,696	1,711	100.88
Natural gas (millions of m <sup>3</sup> )	1,049	1,141	100.77

Source: INDEKS, publication of the Federal Bureau of Statistics, No 7, 1986.

Table 5. Production of Petroleum Products, in thousands of tons

<u>Indicator</u>	<u>January-May</u>		<u>Index</u>
	<u>1985</u>	<u>1986</u>	
Gasoline	1,346	1,558	115.75
Diesel fuel	1,303	1,412	108.37
Heating oil	1,990	2,329	117.04
Lubricant oil	254	237	93.31

Source: INDEKS, publication of the Federal Bureau of Statistics, No 7, 1986.

Inventories of finished products in this production sector on a cumulative basis for the first 5 months were down 7 percent from the previous year, but 5 percent at the end of May.

Exports reached 200 million dinars (as against 445 million dinars last year), but imports 311.55 million dinars (325.71 million dinars last year). Of course, this should not be confused with imports of crude petroleum--here we are talking about equipment and other types of production supplies, since there is no support in domestic industry for the very expensive field equipment.

Production of petroleum products is holding at a somewhat higher level thanks to the more favorable conditions, which made it possible to carry out the energy budget at a higher pace. More reflection still needs to be given to its optimality, since the material limitations serve as the main if not the exclusive justification, independently of other objective facts, whose neglect actually brought about the situation in which most refining facilities find themselves.

In any case, the production of the principal products in this sector, on a cumulative basis for the first 5 months, achieved the volume shown in Table 5.

Inventories of finished products in production of petroleum products were down on a cumulative basis for the first 5 months all of 23 percent compared to the same period of last year, while at the end of May they were down 10 percent from last year's monthly average. The considerably smaller volume of inventories resulted from the more dynamic growth of domestic consumption and also from a certain volume of exports. For example, domestic gasoline consumption grew some 20 or so points, and 126,000 tons of gasoline were exported. To be sure, this volume of exports constitutes only about 60 percent of last year's figure, so that in real terms it does not have any major impact on the trend of production and the level of supply.

As for residual fuel oil and certain oil assortments the situation is almost chronic in the description--supply is still normal, but the impression of the level of supply is variable. At the present price of crude petroleum and given our present refining capacities, there is still no reason why there should be disruptions of supply in subsequent months.

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ECONOMY

YUGOSLAVIA

#### COAL PRODUCTION, EXPORT DATA GIVEN

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 Aug 86 p 5

[Article by M. Prvic: "Coal: Funds Interrupt Continuity"]

[Text] Coal mining in June did not reach last year's monthly average, so that if the trends in May and June continue, there could easily be a certain slowing down of the overall growth rate. The situation has not been undergoing any essential change this year--in spite of the fact that prices are reaching a truly high level, some of the arguments for which cannot be accepted.

The projected development has not been taking place either in volume or pace, since the exhaustion of financial resources leaves no room for maintaining continuity following the most optimum alternative. On the contrary, the high rate of inflation is quickly devaluating the funds built up, and the difficulty or slowness in obtaining the necessary foreign exchange has been having a depressive effect on productivity.

In any case, the efforts do deserve exceptional public attention--for one thing because reserves instill confidence over the long run--but also a corresponding dose of realism with respect to development ambitions.

The many years of neglect of development, that is, the orientation toward other sources of energy which were cheaper at the time, for all the efforts that were made and the above-average level of organization of the industry itself, can hardly be overcome over the short run and under conditions which are markedly limited by the problem of modest investment funds at almost all levels. Which is why at this point, and probably later as well, coal reserves figure as the most relevant fact for long-range development of our own sources of energy, and by no means is it an element of simple aggregation.

The output of the principal products on a cumulative basis for the first 5 months reached the volume shown in Table 3.

Over the same period inventories were down 12 percent from last year, although in May they showed a tendency toward a rapid growth. Aside from the seasonal factor, it is assumed that preparations of producers for a rise of prices had a strong influence, so that inventories in the hands of producers were 10 percent greater than the monthly average production in 1985.



The exports of this industry reached 1,425 million dinars on a cumulative basis for the first 5 months (4,853 million dinars last year), and imports 26,067 million dinars (last year 24,924 million dinars). It is clear that these imports consist of equipment, spare parts, and production supplies.

Table 3. Coal Mining, in thousands of tons

<u>Indicator</u>	<u>Jan 1985</u>	<u>May 1986</u>	<u>Index</u>
1. Coal--total	27,325	29,001	106.30
Bituminous or better	174	164	94.25
Brown	4,714	5,561	117.97
Lignite	22,436	23,276	103.74
2. Standard coal (4,000 calories)	18,432	19,772	107.27

Source: INDEKS, publication of the Federal Bureau of Statistics, No 7, 1986.

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MILITARY

GERMAN DEMOCRATIC REPUBLIC

# NATO NAVAL STRATEGY IN NORWEGIAN SEA EXAMINED

East Berlin VOLKSARMEE in German No 31 1986 (signed to press 28 July 1986) p 6

[Commentary by Lt Col Heinz Rabe: "U.S. Sixth Fleet in the Norwegian Sea?: At the Most Recent Symposium of the NATO Supreme Commander Atlantic They Fought Sea Battles Opposite the Soviet Front Door"]

[Text] Compared with the Mediterranean, the Norwegian Sea is a "politically calm" region of the world. This is what the FRANKFURTER ALLGEMEINE ZEITUNG found slightly disparagingly on 7 July 1986 with a view to the American Sixth Fleet in the Mediterranean, which is providing for world political unrest there. The mouthpiece of the military-industrial complex and its employers seem to be very interested in having the Norwegian Sea be less calm. They would love to have a second Mediterranean opposite the front door of the Soviet Union. At least this pipe dream determines a report of the FRANKFURTER ALLGEMEINE ZEITUNG on this year's "Sea-Link" symposium of U.S. Adm Lee Baggett, supreme commander Atlantic of NATO.

"Pay more attention to the Norwegian Sea." That was the wording of the evaluation--in headline form--of the meeting in which U.S. General Rogers, supreme commander in Europe, and the British Admiral Hunt, supreme commander of the English Channel, also took part. The top military trio of the war pact conferred with other experts at the officers' school of the U.S. Navy in Annapolis (Maryland). The basic tenor was "forward defense" at sea, that is, naval warfare against the Soviet Union.

General Lawson (Great Britain), former NATO supreme commander for northern Europe, was able to speak eloquently on the war scenario: "The battle for the Atlantic," according to Lawson, "will have to be fought in the Norwegian Sea." His reasoning: the "security of the Atlantic sea links" of NATO is the precondition for holding the land front in the FRG. Therefore, "in the defense of the Norwegian Sea and hence of the Baltic Sea approaches, it is not a matter of secondary theaters of a war in Europe."

His "will have to" in regard to a "battle in the Atlantic" passes the lips of the NATO generals all too easily. As though this ocean had not already swallowed up too many ships and sailors in two world wars. They are also playing with a "war in Europe," as though our continent needed anything other than peace and more peace!

In the air-conditioned academic buildings of Annapolis, talk can become dangerous in the summer heat of 1986 and sea battles are decided before going to bed. Everything goes very well for NATO when one takes precautions in time. And the top NATO people had no shortage of diverse advice. According to the FRANKFURTER ALLGEMEINE ZEITUNG, they amount of a "plea for a different deployment of American naval force--for a shift in emphasis from the Mediterranean and western Atlantic to the North Atlantic."

As is apparent, the most aggressive NATO forces are demanding a U.S. Sixth Fleet in the Norwegian Sea as well. Three aircraft carrier task forces are to be dispatched in a "crisis." How such a crisis arises is shown by the action of the Sixth Fleet against Libya. But in the north European seas, in contrast to the Mediterranean, the fleets of the NATO allies, not least of the FRG, are to take action at the side of America, the leading power. There is a desire to do more to strengthen the threat against the northern flank of the Soviet Union. Such an aggressive concept was exceedingly well-received by the organizer of the sea-battle symposium, as the FRANKFURTER ALLGEMEINE ZEITUNG noted: "Baggett also saw clearly the necessity of a 'forward defense' in Europe as the best possibility for defending America itself." The NATO supreme commander Atlantic does not need to present himself as such a prophet. As a U.S. admiral, he knows very well that the leading forces of his country are not giving up the illusion of limiting war to Europe and being able to keep their own territory away from counterstrikes. He welcomes anyone who speaks in favor of such a murderous concept for Europe, just as the NATO admirals in Annapolis are doing. They knowingly made themselves advocates of the "horizontal escalation" planned by Washington, which is oriented toward the expansion of a regionally promoted conflict globally against supposed enemy "weak points." In 1985, the Yugoslav social scientist Miroslav Nincic, who resides in the United States, published some revealing things in this connection in a study by the Swedish peace research institute SIPRI.

The expert Nincic sees the north European Arctic Ocean as the most probable objective of horizontal escalation. He concludes from the plans for horizontal escalation that the Soviet submarines stationed at the Kola Peninsula would have to be destroyed in their ports or at sea. This would be war in Europe. And that is all they talk about in Annapolis. U.S. Secretary of Defense Weinberger, likewise in Annapolis, indicated the purpose of the maneuver in that he called upon the NATO members to double the size of their--certainly not small--naval forces. The navy of the FRG has already taken this course. Its potential in rocket frigates of Class 122 is being increased by one-third. Definite area of operations: the Norwegian Sea!

9746

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POLITICS

BULGARIA

DEPUTY FOREIGN MINISTER COMMENTS ON HELSINKI CONFERENCE ANNIVERSARY

Sofia ZEMEDELSCO ZNAME in Bulgarian 1 Aug 86 pp 1, 6

[Article by Lyuben Gotsev, Deputy Minister of Foreign Affairs of the Bulgarian People's Republic: "Eleventh Anniversary of Signing of Final Act of Helsinki--Firm Foundation for Development of Pan-European Process"]

[Text] Eleven years have passed since the signing of the Final Act of Helsinki on Security and Cooperation in Europe, which ratified the principles of peaceful coexistence as a foundation of relations among states with a different social order. The period elapsing since then has shown that implementation of the tenets of the Final Act of Helsinki has become one of the principal lines of development of European political life. "The spirit of Helsinki" became synonymous with detente during the 1970s. But in the present complex international situation as well, the pan-European process, initiated at Helsinki, preserves its paramount significance for determining the political climate in Europe.

The Final Act is the social basis for the development of this process. In his speech, delivered at the International Meeting "To Celebrate World Peace and Security," organized by the BZNS [Bulgarian National Agrarian Union] in May 1986, Comrade Todor Zhivkov pointed out that "the Final Act at Helsinki has had favorable results because it has met the interests of the people, their will and endeavors. It is no accident that, despite the dangerous development of the international situation in recent years, the 'spirit of Helsinki' cannot be laid to rest. The experience of this period has shown how to proceed and which way to go in the present tense international situation."

The Helsinki Final Act created long-term prospects for conducting international relations realistically.

It contains a broad program for the development of mutually advantageous cooperation between participant countries in all spheres of life--economics, culture, science, education, sport, etc. Thus, at Helsinki a mechanism was produced for interaction between security and cooperation, the two integral parts of detente.

The 11-year history of the Helsinki process affords rich and unique political and social experience--both favorable and adverse, but equally instructive.

Implementation of the positive enthusiasm of the Helsinki Act presupposes conscientious compliance on the part of all participant countries with the agreements contained therein. The socialist countries are showing in deed how these agreements must be implemented. Their numerous joint initiatives and constructive suggestions aimed at halting the arms race and at turning our continent into a region of stable peace, security and confidence; their efforts for expansion and augmentation of mutually advantageous cooperation--all this is in fact a struggle for the cause of Helsinki.

The Bulgarian People's Republic has made its own contribution, too, to the implementation of the Helsinki agreements. Our vigorous foreign political activity vis-a-vis the Western European states; the great number of agreements entered into with them; the meetings and conversations that were held and other contacts made at all levels, including the summit; the major forums conducted in our country in recent years, such as the meeting-cum-dialogue on detente, the International Children's Banner-of-Peace Assembly, the World Parliament of Peoples for Peace, the International Meeting organized by the BZNS, the International Writers' Meetings and other similar measures are good illustrations of this contribution. The initiatives of our country for a nuclearfree zone in the Balkans and the banning of chemical weapons give real substance to the Helsinki agreements and represent a valuable contribution of the Bulgarian People's Republic to the struggle for our continent's peace and security.

But experience also shows something else--the West, by means of unilateral interpretation, has made out of human rights and cooperation in a few humanitarian areas a political platform for ideological infiltration into the socialist countries, for "legalized" intervention in their internal affairs and their relations within the framework of the community. At the same time this platform is used as diplomatic cover for noncompliance with the obligations assumed under the Final Act.

Thus the West attempts to distort the Helsinki process and divert it from the vitally important questions of security and disarmament. The socialist countries in all pan-European forums are giving a decisive collective rebuff to the attempts to use to their own advantage and upset the pan-European process. They defend steadfastly and staunchly its true purpose and substance--the strengthening of our continent's peace and security and the development of mutually advantageous cooperation.

The development of the pan-European process during the second half of the 1980's will take place under conditions different from the conditions in the 1970's. Possibilities do exist, however, as Comrade Mikhail Gorbachev pointed out in his declaration of 15 January 1986, for a "rebuilding of detente" on the firm foundations laid down in Helsinki. Europe could become once more the architect of this historic deed.

And at the impending meeting which will open in Vienna in November 1986 the countries of the socialist community will continue to champion the position

that all principles and agreements of the Helsinki Act must be enforced in their entirety; that a selective approach towards them is intolerable; that sovereign and equal states participate in the Conference on Security and Cooperation, a fact which precludes any intervention whatever in their internal affairs; that the pan-European process requires action to be taken towards disarmament and detente and is incompatible with the armament race and the power approach in international relations. The socialist countries are coming to this meeting with the constructive suggestions contained in the recent peace initiatives put forward by the Warsaw Pact member-states at the conference of the Political Consultative Committee in Budapest.

The Bulgarian People's Republic faces this new stage of the pan-European process with hope that it will make a new contribution to affirmation of the cause of Helsinki, of detente and peace in Europe and in the world.

6474

CSO: 2200/169

POLITICS

GERMAN DEMOCRATIC REPUBLIC

FDJ LEADERS URGED TO FOSTER PREMILITARY TRAINING

East Berlin JUNGE GENERATION in German No 7, 1986 pp 33-36

[Unattributed article of series titled "ABC--The FDJ and National Defense:  
No 4-- We Make an Active Contribution to the Secure Protection of our  
Socialist Fatherland"]

[Text] Why is the defense of the socialist fatherland the right and  
honorable obligation of every youth?

In the "FDJ Mission of the XI Party Congress of the SED," we assume the task,  
together with the Society for Sports and Technology (GST), of conscientiously  
preparing ourselves for honorable service in the military components and  
in this way making a great personal contribution toward safeguarding peace.  
This requirement is a consequence of the necessity of reliably protecting  
at all times our achievements, the values of socialism, and peace against  
the attacks of imperialism. The constitutional right and honorable  
obligation to protect the socialist fatherland and the conscientious  
preparation for military service to safeguard our way of life is one of the  
greatest accomplishments of our people.

The basic right to play an active role in shaping the political, economic,  
social, and cultural life of socialist society is inseparably linked with  
the right and honorable obligation to defend the socialist fatherland and  
peace.

Military duty serves the welfare of all people, because it is an active  
service for peace. The acquisition of military-political training, of  
premilitary knowledge and skills, as well as service in the armed forces  
and the preservation of fitness and availability for military service, are  
part of a person's development into a socialist personality.

Your "Grundorganisation" [Basic Organization] leadership concentrates  
particularly on:

--the creation of an atmosphere conducive to the development of thought  
and behavior patterns favoring conscientious preparation for honorable  
service and its performance;

--an objective-oriented agitation and propaganda program on problems related to the military and security policies of the SED, together with preparation of major military-political and military sports events;

--the objective-oriented recruitment of qualified young persons for a military or police career or voluntary limited-tour military service and the inclusion of future military cadres in the active life of the basic organization;

--supporting the activity of the "FDJ Candidate Collective for Military Careers," the "Law and Order Groups of the FDJ," and other socially active and labor associations, which work for socialist military education and a high level of public order and security; and

--the assurance of exemplary behavior by your members during military instruction, during premilitary training, in the military sports program of the GST as well as in the area of civil defense.

How can we succeed, together with the GSI, in gaining the interest of every young person in actively participating in the premilitary and military sports program?

We as members of the FDJ as well as the GST bear a great responsibility for the long-term preparation of young persons for honorable service in the armed forces.

For that reason, the FDJ collectives are primarily concerned, particularly in vocational training and at the expanded secondary schools, with creating a political atmosphere conducive to developing and strengthening the willingness among young people to utilize, for this purpose, the premilitary training and military sports program of the GST or the medical aid courses in civil defense.

To ensure the influence of the youth organization during premilitary training, FDJ action groups responsible to the basic organizations of the FDJ and in close cooperation with state-level supervisory groups and the basic organizations of the GST are formed in the training units.

The mission of the FDJ action group is to mobilize all youths to participate with political awareness in the premilitary training of the GST and the medical aid training in civil defense, to fully support all training tasks and carry them out responsibly and with initiative. The FDJ action groups focus their main efforts in their political-ideological work on several primary tasks:

--before and during training, hold discussions on political questions of current interest as well as on the fulfillment of obligations, order and discipline;

--in preparing for major training events concertedly instruct all participants in specific focal points, so as to derive from this the personal contribution of each FDJ member for these training segments;



--to strengthen such thought and behavior characteristics as steadfastness, perservance, independence, initiative, courage and respect for the accomplishments of others;

--to strive constantly for all FDJ members to take a personal interest in the retention of high standards during training, to fulfill all tasks in an exemplary manner, and to fight for maximum utilization of the training time; and

--together with instructors, make an effort to comply with the training programs, including the required achievement levels.

A prerequisite for the successful work of FDJ action groups in their long-term selection and through qualification by the directorates of the FDJ basic organizations in close cooperation with the GST. Qualified FDJ members, at the direction of the FDJ basic organization, are appointed to the action groups at the beginning of the apprenticeship and training year and are given concrete unit tasks, which are later accounted for at the meeting of members.

(Compare this with the "Information on Working With FDJ Collectives in the Training Units of the GST as well as Medical Aid Training of GDR Civil Defense," in Empirical Material E 3-83, Resolution of the Secretariat of the Central Council of the FDJ, dated 17 Jul 1983.)

Gaining increased significance for the direct preparation of youths for honorable service is the military-political and military sports work in the work collectives. Many youth collectives, especially our youth brigades, are already participating regularly in the military sports program of the GST, since they have realized that it helps them, even after several years of employment, to stay as physically fit as the requirements of national defense demand. The reason these youth collectives are successful is that, in the battle program of the FDJ group, they have decided upon, and are purposefully implementing, concrete and calculable measures for the protection of the socialist fatherland. Here you should attach particular importance to participation in such military sports as marksmanship, physical combat sports, and military combined competition.

How do we prepare FDJ members for voluntary limited-tour military service and/or their duties as military careerists?

To strengthen them in their decision, it is of great help for our friends if your FDJ collective constantly ensures an atmosphere in which they command a high level of respect, in which they are both challenged and encouraged.

Even more effectively than in the past, you should help the FDJ candidate collectives for military careers to familiarize their members on a long-term basis with the demands of their future activity and to begin their training according to plan:

--For that purpose, your FDJ leadership must accomplish extensive educational work in the political-ideological area, in order to reinforce the candidates in their career choice, their socialist military motivation, and their military-political knowledge.

--Your leadership has the task of gaining the interest of these friends to actively work in the GST. To this end, give them unit tasks designed to include them in premilitary training work. Appoint them to the FDJ action groups of your training units.

--Regularly assess the vocational preparation in the candidate collectives, establish measures for assistance and support, and work in close cooperation with leaders and advisers.

All candidates are directly integrated into the work of the FDJ action group of the basic organization.

(You will find the tasking of the FDJ for the long-term assurance of the availability of military specialties in Resolution K 7/16/85.)

How can we organize the Hans-Beimler meet?

The main form of socialist military training for members of the 8th school year is the Hans-Beimler meet. The units responsible for its organization and execution are the FDJ kreis headquarters and the management of the FDJ basic organization of your secondary school.

In order to interest all girls and boys of the 8th school years in this, it is a good idea to create "Hans-Beimler staffs." Together with your teachers and your GST sections, they ensure that the meet is combined with interesting military-political discussions on questions of socialist national defense and its revolutionary traditions.

What tasks does the "Hans-Beimler staff" have?

Together with the teachers and GST functionaries, it compiles various possibilities and experiences for increasing the level of physical capacity and the willingness to employ it.

At the direction of your basic organization, it plans military-political and military sports measures on a long-term basis and consults with teachers for this purpose.

It is accountable to your basic organization.

It is recommended that, prior to the meet, newspapers be posted on the wall to familiarize all friends with its intent. Actively involve as many friends as possible in the orientation of your meet. Assign them personal tasks, for which they will give an accounting to the staff. The date of the meet is to be coordinated by your basic organization management with the extracurricular activity plan.

(You will find additional information in the brochure "Hans-Beimler Meets of the FDJ.")

What do we need to keep in mind when forming an FDJ law and order group?  
What are its tasks?

The FDJ law and order group is a component of the FDJ leadership. It is intended to assist responsibly in helping to assure observance of the socialist legal system and compliance with the norms of socialist life and questions of order, security and discipline in learning, work and study collectives as well as in school, student and youth clubs.

Prior to their appointment as members of the law and order group, a careful screening of these young friends should be conducted by the respective FDJ management. Conditions for appointment are: exemplary implementation of the rights and obligations of an FDJ member, personal interest, and a high level of involvement. All FDJ law and order groups are directed by the law and order group staff, an operational component of your FDJ kreis headquarters.

In the schooling, training and operational employment of law and order group members, you are supported by comrades of the German People's Police.

#### Tasks

FDJ law and order groups perform the following tasks:

- safeguarding young people's major political and social functions;
- guaranteeing and enforcing the legal provisions for the protection of youths at young people's dances and at clubs; and
- leisure time political-educational work among young people.

In the process, you should levy personal, accountable unit tasks on the law and order group members.

12689/9190

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POLITICS

POLAND

## PARTY ORGAN REPORTS ON 10TH CONGRESS

### Congress Composition Statistics Given

Warsaw ZYCIE GOSPODARCZE in Polish No 15, 16 Jul 86 p 32

[Text] Of the 1,766 delegates elected to attend the PZPR 10th Congress, 1,397 were attending a party congress for the first time.

The majority of the delegates (1,511) were elected at voivodship and equivalent party conferences; 265 were elected at factory and teaching institution conferences. They represent all primary social circles and generations of party activists.

Women make up 20 percent of the delegates (356 women), compared to 5.5 percent (108 women) at the preceding congress.

They come from the following backgrounds: Workers, 970 delegates (54.6 percent); peasant, 550 (31.1 percent); and intelligentsia, 248 (14 percent). Of the delegates, 734 are workers employed in various sectors of the economy. They make up 41.3 percent of the total number of delegates. They represent a high level of qualifications: 41 percent are masters and foremen, and 86.2 percent have basic trade, secondary and partial secondary educations.

The workers come mainly from the light and chemical industry, 133 delegates; metallurgy and machines industry, 136; coal mining and power industry, 89; railroad, transportation and communication, 65; construction and municipal management, 52; food industry, 41; electrical engineering, electronics, and the precision industry, 37; wood-paper and forestry, 32; trade, services and the health service, 27; and the mineral industry, 25.

The delegates include 174 farmers, who make up 9.8 percent of the total composition. There are 156 private farmers and 18 farmers in cooperatives. (It should be mentioned that 266 delegates, including 45 farm workers and state farm managers, are employed in the agricultural economy.)

The working intelligentsia is represented by 853 delegates. They comprise 48 percent of the total number of delegates. Among them are 101 science and education workers (including 40 academic teachers and 5 employees of scientific-research centers), 84 managers of enterprises and factories, 36 technical specialists with a higher education, 79 representatives of the

central and regional state administration, 28 representatives of the world of culture, and 20 journalists. There are 231 delegates who are employed in the party apparatus, of whom 200 are on the factory level, the grade 1 level, and the voivodship level (there were 394 party apparatus workers among the delegates at the Ninth Congress).

There are five craftsmen and 10 retirees.

Almost 80 percent of the delegates have been party members for over 10 years, and 102 delegates were members prior to the association of the Polish workers movement, i.e., 15 December 1948 (at the previous congress there were 169). Two delegates were active even before the war, in the Communist Youth Union of Poland; 85 were members of the Polish Workers Party during the war and after the liberation, and 17 belonged to the Polish Socialist Party.

From the standpoint of age, the largest group comprised the delegates from 36-50 years old. There were 926 of them, making up 52.1 percent. There were 395 delegates (22.2 percent) in the 51-60 age group, and 73 delegates (4.1 percent) were over 60; 382 delegates (21.6 percent) were under 35, and 106 (6 percent) were under 30. The average age was 41. An interesting bit of information: The oldest delegate was a 78-year-old retiree from Lublin and the youngest was a 25-year-old planner from Andrychow.

Elected party posts in the Primary Party Organization and the District Party Organization are held by 647 (36.4 percent) of the delegates; 395 (22.2 percent) hold elected party positions in factory and teaching institution committees; 597 (33.6 percent) hold positions in the grade 1 level echelons; and 611 (34.4 percent) in the voivodship committees.

Youth organization affiliation is as follows: 324 delegates (18.2 percent) belong to a youth organization--264 to the Union of Socialist Polish Youth, 39 to the Polish Scout Union, 18 to the Rural Youth Union, and 3 to the Polish University Student Association.

Trade union membership is claimed by 1,187 (66.8 percent) delegates.

Among the delegates are 57 deputies and 251 councillors, and 284 delegates perform various functions in PRON (Patriotic Movement for National Rebirth).

Fifty-eight delegates took part in the battle with the invading armies (there were 117 such delegates at the previous congress).

#### Central Committee Statistics

The Central Committee elected by the 10th Congress is made of of 230 members (including 35 women). No candidate members were elected to the Committee this time, a departure from previous practice. The previous Central Committee numbered 200 members and 70 candidate members.

In consultation with delegates, the Central Committee elected a first secretary and in a closed meeting it elected 14 members and 5 candidate members to the Politburo. It also elected 11 Central Committee secretaries.

The Central Committee is composed of:

--88 workers (the majority are from the machines industry, 19; the textile and garment industry, 13; and mining, 10),

--16 academic teachers and 3 secondary and elementary school teachers,

--42 party apparatus workers and 8 factory committee first secretaries,

--15 directors, assistant directors and department managers in enterprises,

--13 members of government, executive organs, the Sejm, and the Council of State,

--7 officers,

--6 representatives of social organizations,

--3 journalists.

Fifty-two members of the Central Committee were reelected and 10 were candidate members during the previous term.

#### Central Control and Auditing Commission Statistics

The Central Control and Auditing Commission is composed of 130 members (including 20 women). The chairman is a member of the Politburo. The presidium is made up of 5 assistant chairmen and 15 members.

The Commission is made up of:

--38 workers,

--8 private and cooperative farmers,

--40 party-apparatus workers (including 21 voivodship committee first secretaries),

--9 officers,

- 9 directors, assistant directors, and department managers in factories,

--8 representatives of science and education,

--9 health service representatives,

--4 state-apparatus workers,

--2 journalists.

Discussion on Building Party Authority

Warsaw ZYCIE PARTII in Polish No 15, 16 Jul 86

[Report by Magdalena Prochnicka on Group 1 meeting]

[Excerpts] The party, its tasks in perfecting the methods by which its leadership and guiding role is performed, consolidation of the process of socialist renewal, cadre policy--those were the problems discussed during the deliberations of Group 1 on the third day of the 10th PZPR Congress. This discussion, in some of its aspects, was the continuation of a debate devoted to internal party matters discussed the previous day during the meeting of the 10th Congress Statute Committee, which addressed itself to amendments and additions to the party's statute.

The members of Group 1 concentrated their attention on those problems which involve the party's ability to exert influence. "We must increase the party's effectiveness," said Wlodzimierz Mokrzyjszczak in his opening remarks. "This is a problem of the highest rank in our political system, because how our party performs its leadership and guiding role will depend on the quality of our actions."

Everyday practice shows that not everywhere and not all party echelons and organizations are interested in the problems of social organizations and give them the necessary assistance. Several of the group members criticized this, and Edward Getkowski, general secretary of the Polish Economic Society, said: "Recently dangerous signals of backward, negative assessments of the social movement have been observed. Based on incidental facts of abuse in a few organizations, attempts have been made to evaluate social activity from a commercial standpoint, to reduce the motivation for pro-social attitudes simply to an interest in materialism. This is a clear sign of a tendency of some representatives of ministries to manage the social movement."

The party's exercise of its leadership role is linked inseparably to the important task of unifying the working people for the program of socialist transformations and organizing them for joint action. A great deal has been done to consolidate the workers character of the party, strained at the beginning of the 1980's, and strengthen ties with those who are not party members. The changes in the statute which were approved at the 10th Congress place emphasis on consolidating the workers character of the party, on openness of action. This should strengthen the effectiveness of our actions. "But we can self-critically say," said Zenon Zmudzinski, PZPR first secretary of the voivodship committee in Bydgoszcz, "that not all organizations and activists in our party maintain regular workers' ties with the working people. They sometimes avoid direct discussions and talks, and substitute ready formulas and platitudes for arguments. And yet it is the statutory duty of party organizations and echelons to look into workers' problems, learn about their difficulties and moods, and gain their confidence and authority."

In the opinion of many of those speaking out at the meeting, the strengthening of the party's leadership role should be apparent in the consistent implementation of the resolutions which have been passed. Lack of consistency in implementing resolutions is noticeable particularly on the middle and

lowest level of party echelons and organizations. "In practice, the worker does not always feel that he is the manager and he does not always find support in his party organization," said Tadeusz Szlag, foreman in the POLMO Automotive Equipment Plant in Praszka, Czestochowa voivodship. "There must be a consistent control over the proposals and resolutions made by party organizations. There are proposals that are blocked by some comrades at the time they are being made, because execution of them would disturb blissful calm and entail hard work."

What should be done, then, to make the implementation of resolutions more consistent? What goals and tasks is this enormous family, numbering over two million, capable of? Going forward and accepting this burden of tasks, or standing still and simply talking about matters which are not very important? Those were the questions asked on the floor during the meeting of Group 1. They were too important to go unanswered. There are several reasons for this state of affairs, but the most important one is the question of the level of awareness of party members.

It is not a matter of having all party members, as of today or tomorrow, becoming experienced Marxists or experts on sociopolitical and ideological problems. What matters is that the guiding role being performed by the party requires a specific level of ideological and political awareness on the part of its members.

If the implementation of decisions and resolutions is to be more consistent than heretofore, the role of the primary party organization must be enhanced. But what should be done so that entries in the minutes of meetings not simply remain entries? That the primary party organizations effectively fulfill their statutory functions and tasks? First of all, we must see to it that the individual party members become more active.

A good way of inspiring activeness is to hold private talks. Thus, giving this form of party work its due importance in the statute was deemed to be advisable and necessary. In these talks, matters which raise doubts and controversies, breed conflicts and frictions, should be discussed and explained. Only then in the workplace can the party become a valued partner to the administration and an authority for party members and nonmembers.

The party echelons should give the organizations their planning and organizational assistance in building this authority.

Fulfillment of the party's guiding role in public life and its leadership role in the state requires consistent implementation of cadre policy.

The 13th Central Committee Plenum, in affirming the "Main Assumptions of PZPR Cadre Policy," fulfilled the task which the Ninth Congress indicated in this matter. This was an important step, but only the first step, on the difficult road to applying new rules. The mistakes which are constantly being made are primarily the result of insufficient observance of the approved rules. "In observing cadre policy at all levels," said Eugeniusz Mroz, PZPR voivodship committee first secretary in Opole, "one gets the impression that the gist of cadre policy too often comes down to observance of the rules for granting



party recommendations, and there is an inadequate connection between, for example, the recommendation and responsibility for the recommendation which was granted, between the cadre-preparation system and the actual promotion, between the results of cadre reviews and the work results, between the work evaluation and the appointment of reserves, etc."

The honest, critical discussion--which gave credit for past accomplishments--in Group 1 on problems of such extreme importance to not just the party, confirmed the tone of the debate during all of the deliberations of the 10th Congress, about which the first secretary of the Central Committee, Wojciech Jaruzelski, said in the final speech: "Satisfaction with what has been done was combined with a full awareness of the enormity of the tasks. The rule: 'never forget the past and never stop thinking about the future,' was confirmed."

### 'Inequalities' in Democratic Goals Viewed

Warsaw ZYCIE PARTII in Polish No 15, 16 Jul 86 p 20

[Report on Group 2 meeting by Alina Reutt]

[Text] There is no progress without democracy and there is no justice without a feeling of social security, without a law which is clear and understandable to everyone, equally applicable to everyone, internally cohesive, and consistently observed by everyone.

The discussion which took place during the Group 2 meeting, which was devoted to the development of socialist democracy, the consolidation of law and order in a socialist state, and the struggle with wrongdoing--chaired by Jozef Baryla and Jadwiga Biedrzycka--included some interesting statements on the breakthrough into the awareness of the workers--working people in various communities--on legal standards, and the principles underlying the political system--as compared with what actually occurs in everyday life.

The legal community, the representatives of the administration of justice and law and order have, by the very nature of things, a professionally distorted view of how law and social standards are functioning. And in the opinions of people who are not professionally connected with this area of public life, certain events are sharply highlighted. They point to the frequent disparity between principles and practice, to the clever use of the incoherence of the law by all of those whom this helps to make an easier and more comfortable life, to the lack of consistency in observance of the law. In short, the unevenness of justice.

The words spoken by a worker: "Justice is administered very quickly to a worker, but others somehow seem to avoid punishment," resounded with bitterness throughout the meeting hall.

When we ask about the civil status of the working people in our country, their relationship to the socialist state, legal standards and social principles which regulate our lives, we get a response which is generally in agreement: We have a lot of lofty slogans, we also have a large number of laws which are

just. Now is the time for action, the time to take responsibility for our actions. Even the most lofty legal standard does not function in a social vacuum, in isolation from the conditions in which people live. The feeling that legal standards and daily practice are at variance with one another stems primarily from the degradation of work, its material--but also its moral--determinants, from the perceptible expansion of neo-bourgeois examples of living, which hold honest and reliable work in contempt and prize shrewd deals and success achieved by pushing others out of the way--with no sullying of hands by everyday work. "The person who is fair is worse off and gets no recognition, not even from his superiors. The 'sharp' one, however, who achieves a higher financial status by sometimes operating on the fringes of the law, and often outside of it, generally receives praise and good wishes from those around him," it was said in one of the statements.

But there is still the state. It is the guardian of the law. It has an entire fiscal system, a multilevel institution dealing with taxes, issuance of licenses, permits, etc. Therefore, if all around us there are so many semi-legal businesses flourishing, when one can see with the naked eye the advantages being taken of the housing shortage, the scarcity of various goods and services, then we must ask ourselves: Where are those who decide the form and expansion of services, and issue permits for them, said Antoni Grygierzec, a foreman in the Metal Works in Kety. Perhaps the form of services is unimportant to some workers, so long as they obtain personal benefits from them. For such a state of affairs, regardless of how it arises, the party is made responsible, and it is its rank and file which is most exposed to the signs of dissatisfaction. "Our enemy today," said Kazimierz Szymanski, face foreman in the Halemba Mines in Ruda Slaska, "is growth of speculation, illegal enrichment at society's expense, parasitism, and economic crime. Examples of waste, poor management and overpricing are vexatious and reprehensible."

Thus the quality of management of many areas of our life was severely criticized--the organization of work, which does not enforce order and respect for work. We have become accustomed to place wrongdoing on the fringes of public life, and yet in the Congress discussions attention was also called to those areas which make it easy to ignore the law and social standards.

"The party was and is the main advocate for consolidating the state," said Adam Bartosiak, PZPR voivodship committee first secretary in Plock. "It has always stood in the front line of the struggle to improve the functioning of its structures. But sometimes there was not enough perseverance and consistency. In my opinion one of the priority roles in the development of socialist democracy and consolidation of the state must be played by an 'efficient and modest state apparatus, serving the citizenry, rid of everything which might be termed bureaucratic'."

The extreme harmfulness of this phenomena, which was been occurring with varying intensity since the beginning of the building of the framework of a socialist statehood and not just in Poland, lies--speaking most generally--in the loss of its class character. In other words, technocratic and bureaucratic tendencies often lead to the superiority of the administrative organs over organs of authority, reducing the effectiveness of a socialist

democracy, making it something like an adornment to the political system. Today we have no lack of legal and institutional safeguards and guarantees which would effectively block a return to the former, incompetent system of exercising authority. The point is, a delegate said, that we should learn to use them every day, and not, as happens, just occasionally.

It was the feeling of those taking part in the discussion that the years of tolerating poor management, waste of public assets, extravagance at the expense of all of us, bungling instead of good work and unsaleable junk on wheels instead of good-quality goods--these, too, are examples of wrongdoing, except that they are in the economic sphere. The costs of this wrongdoing are covered by everyone, even though everything is absorbed by the cost formula of prices, still being applied with great relish. "Economic reform," said Bronislaw Moczowski, head of the voivodship office of internal affairs in Lodz, "thus far has not brought the anticipated results insofar as more efficient management is concerned, although it would seem that self-dependent, self-managing and self-financing enterprises should rapidly establish a system to combat and prevent poor management, waste and stealing of property. If results still continue to be inadequate, then it may be because these kinds of losses can be made up in another way, a way which is often not in compliance with the law. It is quite common to burden the consumer with these losses by reducing the quality of products and services and arbitrarily raising prices.

Unfortunately, the "anemic" institutions of internal control do not put a stop to this. A considerable amount of attention was devoted to these various forms of control, or rather to their incapacity and inefficiency. The controls do not fulfill the hopes vested in them. They do not put a halt to extravagance or waste, and they do not defend the public interest. There were many voices demanding that the subordination ranking of internal control units in all economic organizations be changed. We cannot tolerate the fact that what the Supreme Chamber of Control or the district inspectorates see so easily is silently ignored by the often-expanded internal control units.

Jozef Kierat, delegate from Rzeszow Voivodship, said that "the imperceptible role of internal control in preventing poor management stems from the fact that the managers, presidents, etc., are under the administrative leadership, and this has a paralyzing influence. The administrative leadership is not at all interested in exposing the mistakes and confusion for which it itself is responsible (...). It is proposed, therefore, that the internal control be so placed that it is independent of the administration of the controlled individuals."

The process of constituting a law and its stability formed an interesting part of the discussion. The legislative policy of recent years was criticized. Too much haste, too much pressure from various institutions, too much faith in the magical, somehow spontaneous validity of the provisions of the law. Life has been decreed and the problems remain, because the legislative heat causes an inflation in the law--it does not allow time for reflection. The speed with which a law is introduced reduces its quality, and

therefore, its effectiveness. And an ineffective law is the worst possible, because it demoralizes by its very existence.

In making his comments on legislative processes, Andrzej Rajpert, lawyer and delegate from Katowice Voivodship, said that "We are bound by 467 laws or legal instruments which have the validity of law. This is a drop in the ocean of regulations of a general nature, of which there are approximately 13,500. This is the fruit of almost the daily creativity of the ministries. Lawyers themselves get lost in this jungle. The excessive number of regulations and lack of strict discretion are the reasons for the incoherences in the law and the mutual conflicts. It is inadmissible that there be two laws, issued a few months apart, which conflict with each other.

Only a law which reaches deep into the awareness, which is just, stable, readable and understandable to the citizenry, will obtain society's approval."

The observance of the law by the citizenry was also highly criticized. The need to reinforce the struggle with such common social calamities as the lack of discipline, alcoholism, drug addiction, brutal interpersonal relations, etc., was underscored.

We need fewer words, fewer slogans, fewer new laws. On the other hand, we need more democracy, more discipline, more consistency.

The Group 2 meeting was attended by 134 delegates and 65 invited guests. Twenty-two of those attending took part in the discussion, and 56 submitted texts of their speeches and proposals for the minutes of the meeting of the 10th PZPR Congress.

#### Socialist Ideals, Awareness Needed

Warsaw ZYCIE PARTII in Polish No 15, 16 Jul 86 p 21

[Report by Mirosława Machura on Group 3 meeting]

[Text] What can be done to improve the party's activities regarding the expansion and consolidation of socialist awareness, the shaping of attitudes and behaviors necessary to stimulate production process, and the enhancement of the socialist substance of public life.

That was the main subject of the Congress' Group 3 meeting (party ideological and propaganda activity and problems of national accord) as stated in the introduction to the discussion, delivered by Henryk Bednarski, Central Committee secretary.

The openness, relevance, high competence and great care with which the problems, assessments, and proposals stemming from these assessments, were formulated--these were the features of the long and very fruitful discussion. Among other things, such questions were asked as: What interferes with and weakens the effectiveness of our ideological and propaganda work? What is the level of social awareness? What, at this time, determines and shapes it? What should be done to update transmission techniques in propaganda and

information activity? What should be done to make the system of party training a real platform for obtaining and enhancing knowledge of ideology, and how should it be done? Those are only some of the topics brought up during the discussion. The common denominator in all of the utterances was the matter of the importance and standing of ideology in public life. It is even more important, that in the Congress documents, particularly in the PZPR program, this question was assigned the function of the leading thesis. The opinion was that underestimation of the role of ideology in the past, and the resultant lack of social awareness, was one of the important causes of our difficulties. Jan Mikulski, a farmer from Radom Voivodship, spoke of this: "All of the crises which we experienced after the last war, did not arise from lack of bread so much as from lack of social awareness."

A great deal of space in the discussion was given over to the effectiveness of the party's propaganda actions and the mass media. The importance of exerting an influence on society through prompt and credible information was also stressed. But in order to meet the public's expectations in this regard, some specific conditions must be fulfilled. First of all, we must ask ourselves: With what kind of situation are we currently dealing? Have the years which elapsed since the Ninth Congress been a period of changes for the better? Have we learned from the past? Generally, the answers to these questions, as shown in the discussion, were favorable. The considerable effort made in this area was emphasized; there is more information and it is broader. "The work of the mass media is more and more effective." "The language of the publications is more and more communicative, the most important problems are noted." "Taboo subjects are not being avoided." Those are only some of the statements made on this subject. Nevertheless, in addition to this indisputable progress, much more could be done in the area of information and propaganda, and there are still many problems to be solved. It was pointed out that the Polish society is extremely sensitive to the manner in which propaganda is practiced. This has a lot to do with why some forms or methods of propaganda are accepted and others are rejected. An oversimplified example of propaganda, not very current, is not only unconvincing--it was said--but what is worse, it creates or maintains a barrier of distrust in the public mind. As a result, often changes for the better are not seen. Franciszek Plaza, metalworker from Opole Voivodship, spoke of this: "We must stop and think about what can be done to bring ideological and propaganda activity closer to every worker, farmer, everyone (...). We continue to use methods and forms of propaganda which, as they say, 'have long since been played out.' That is why we must constantly develop new forms and methods." Wlodzimierz Sokowski, in his speech, called attention to another aspect of this matter, i.e., the effectiveness of the propaganda: "Our journalists must be convincing in themselves. For example, television comes into a person's home and starts to talk to him. This is a very important matter, an intellectual challenge to our propaganda, one might say."

The large role of radio and television as the main sources of information to influence or actually to shape society's viewpoints was underscored. Attention was called to the fact that the method of transmission can determine whether these are the opinions and beliefs we want to cultivate or...just the opposite. For this reason we must attach greater importance than heretofore to the political and ideological text and context (and implied meaning), and

also the function of the cultural information, shows, or films. In this respect, some television programs were criticized. Tadeusz Fita, from the Lublin Voivodship, spoke of this: "Our television programs are uneven from the standpoint of their political content and their ability to communicate. There is too much simplification and didacticism. The broadcasting of programs and television series containing an ideology foreign to us, and which are artistically mediocre, is unacceptable."

A great deal of space was devoted to the broad problem of information. Various of its aspects were discussed. Consideration was given to its effectiveness and credibility in the eyes of the receiver. Much of the discussion revolved around the place of the sphere of propaganda influence in the light of modern technology, the age of satellites and computers. Problems relating to the effect of new transmission methods on public awareness were examined as well as the state of our current awareness. The picture evolving from the discussion shows that there are many inadequacies and weaknesses in our information system. One of the members summed this up accurately when he said: "We have not yet learned how to harness this modern technology to our goals."

The fact that our information is always late is of concern and anxiety to those attending the meeting. Franciszek Banko, a mine foreman from Katowice Voivodship, said: "I am asking that information about what is going on in the world be spread quickly. It is most important that the information should be prompt--we will then have credibility." At the same time, it was stated that significant progress has been made in recent years in access to information. This helps to cultivate a feeling of joint responsibility, concern for the fate of the country, and as a result, contributes to democratization of public life. This is a very positive phenomenon, but it should not satisfy us and the problem should not be removed from the agenda, it was said during the discussion, because it is only the beginning of the process. This is an extremely important matter because the credibility of the government depends to a large degree on how this mechanism functions. After all, it is important that the centers of authority--and for the average party member this is his party organization--reach the real public interests, and react to what is really bothering the people. "Then if the substance of socialist democracy becomes more complete and comprehensive, we should with equal resoluteness demand that the information system be improved on all levels," said Jerzy Lazarz in his remarks.

It was noted that in many documents a great deal is said about acceleration in the socioeconomic area. This is simply the order of the day. But we should look at this problem in connection with people's attitudes and their awareness. It will be hard to make progress in the area of economics if we do not make progress in the area of imagination and social beliefs, if we do not work towards a new socialistic quality of public awareness.

"Although we have put political accord in first place in the past, now socioeconomic cooperation is most important." This key point, embodied in the Central Committee paper, was the subject of interesting remarks during a discussion. It was started by Henryk Bednarski, who encouraged statements on

how this direction of the party policy should be practically implemented, what measures should be taken, and how, to achieve "agreement for good work."

Janina Zadrozynski, a farmer from Torun Voivodship, referred directly to this issue. She said that this is the most constructive line towards agreement. "Nothing joins people together as much as working together, concentrating their interests on solving concrete problems and reaching goals regarded by everyone as being useful. We have proven in our community that (...) undertaking such action, taking advantage of all local capabilities, unifies the rural people, guides the initiative of the farmers towards the common good, and shapes positive attitudes and convictions. Furthermore, it breaks down the traditional divisions and prejudices and replaces them with a real climate of national accord."

It was emphasized that the fundamental achievements of the 10th Congress, and particularly the PZPR program and the 10th Congress resolution, create extensive possibilities for undertaking joint measures in all communities and social groups. These possibilities should be utilized not only to fully implement the outlined socioeconomic tasks, but also to achieve ideological goals more quickly and on a much broader front.

The Group 3 meeting was attended by 112 delegates and 63 invited guests. Twenty-two persons took part in the discussion and 35 submitted the texts of their statements for the minutes of the 10th Congress.

9295

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POLITICS

YUGOSLAVIA

# MOSLEM THEOLOGIAN REPORTEDLY MISTREATED IN ZENICA PRISON

Zurich DIE WELTWOCHEN in German 14 Aug 86 p 7

[Article by A.K.: "A Scream for Help from a Bosnian Prison: Moslem Theologian 'Systematically Ground Down' in Yugoslavia"]

[Text] As far as human rights are concerned, Bosnia has long been an embarrassment for Yugoslavia, which values European goodwill and public opinion. At the present time in the Bosnian penal institution of Zenica, according to eyewitness reports the 29-year-old Islam theologian from Sarajevo, Hasan Cengic, is being "systematically ground down" (cf. following document). The political prisoner belongs to the alleged "group" of twelve Islamic intellectuals who were given sentences ranging from 6 months to 15 years in Sarajevo in the summer of 1983 because of "counterrevolutionary activity," "hostile propaganda" and "Muslim nationalism" (cf. WELTWOCHEN No. 5, 30 January 1986). Cengic received a sentence of 10 years in prison, which was reduced to 6 1/2 years at the end of 1985 by the federal court in Belgrade.

The trial of 1983 was staged in Stalinist fashion. Without waiting for a judgement or for the trial to begin, the accused were denounced and proclaimed guilty by party leaders--above all by the present Yugoslavian head of government, Branko Mikulic. Large numbers of so-called witnesses for the prosecution protested mistreatment by the police to the court and retracted their incriminating testimony. None of the counts of the prosecutor could be conclusively upheld. It was not possible to prove the existence of a "conspiracy," "sedition" or "hostile propaganda," to which the Bosnian public might have objected. A total of 90 years in prison for discussing in a very small group the religious principles of Islam, which enjoys religious freedom according to the Yugoslavian constitution. One more trial of Bosnian despotism, in which not a concrete illegal act, but rather a way of thinking becomes a crime.

The following is a statement made by a recently released fellow prisoner to the friends and relatives of Hasan Cengic concerning the conditions of his imprisonment and the state of his health:

"Hasan Cengic suffers from serious heart disease. During the frequent heart attacks, his face turns blue, his hands tremble, his whole body suffers from cramping and is covered with sweat. If the guards are alerted, they lock him



in an isolation cell for the purpose of 'self-pacification' and refuse any kind of medical assistance. Cengic also suffers from tuberculosis, which he contracted as a result of hard labor in the prison. He constantly has a fever, often he spits up blood. When he wants to see a doctor, he is punished for expressing this wish. Although seriously ill, Cengic is regularly assigned by prison authorities to the hardest labor in the foundry. Temperatures there reach 113 degrees Fahrenheit and higher, clothing must be constantly sprayed with water so that it does not catch on fire. At every opportunity, Cengic is physically and psychologically mistreated, reviled, mocked, insulted, humiliated and also beaten--for example, when he wishes to say his prayers. He is offered food such as blood sausage and pork, which is unacceptable to a pious Moslem. His only food is usually dry bread and the infrequent food packages from his family. One has the impression that the Islamic theologian Cengic is to be systematically ground down and liquidated. His life is in the gravest danger."

12792

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POLITICS

YUGOSLAVIA

#### WEST GERMAN JOURNALIST NOTES SERB-SLOVENIAN ENMITY

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 21 Aug 86 p 5

[Article by Viktor Meier: "Only Albanian Ice Cream Vendors Are Tolerated in Ljubljana: Growing Slovenian Concern with Serbian Lust for Hegemony"]

[Text] The taxi driver who brings us to the airport in Ljubljana is Bosnian and a Muslim. But he has lived in Slovenia for 20 years, is married to a Slovenian woman and speaks Serbo-Croatian, although with an accent. He still does not say "We Slovenians," but he does say "We in Slovenia." He no longer thanks Allah, but rather God, that he came to Slovenia and was able to become assimilated before the Slovenians began to develop their official aversion towards the "Juznjaci," the southerners. He even understands that the municipality of Ljubljana is always looking for new excuses to avoid having to build a mosque. He lives in a developed community with very little unemployment.

If he were newly arrived in Slovenia from Bosnia, he would not find work, because someone seems to have given the watchword that no new arrivals should be hired in the republic. Moreover, he would encounter unmasked enmity from all layers of the Slovenian population. As one hears, almost 40 percent of the population in Ljubljana consists of non-Slovenians. This is too high a figure, it is said, the Slovenians must fight to preserve their national identity. Only the Albanian ice cream vendors appear well tolerated, because they sell good ice cream, serve promptly and dislike the Serbs just as much as the Slovenians themselves.

#### Defensive Nationalism

Belgrade newspapers and magazines term this attitude of the Slovenians "defensive nationalism"; the Slovenians appear to be strengthening themselves in proportion to the increase in encroachments from Belgrade and Serbia. The polemics which are carried out in the newspapers of the eastern part of Yugoslavia as well as from the Serbian nationalist, the unitarist and also from the communist-centralist viewpoints against Slovenia have recently reached an ominous level and often appear to have lost any sense of proportion. Since the last Yugoslavian party congress at the latest, at which old partisans and spokesmen of the Yugoslavian army leadership attacked pacifist currents among Slovenian youth and also with the demand that signs at

army bases in Slovenia should be written in Slovenian as well, these attacks have become "more official," as it were. The Slovenians seem to be regarded as the second enemy of the Yugoslavian nation, after the Albanians in Kosovo.

Recently, when a Slovenian journalist tried to define Yugoslavia as "a federation of nations," the magazine NIN reproached him that such notions had cost Yugoslavia 2 million people "at that time," i.e. during World War II. This type of argument rules out any possibility of dialogue. Similar responses were received by the Slovenian sociologist Ruppel in the magazine DUGA, when he hinted at possible confederative solutions. After they had presented their proposals concerning the elimination of military parades and the costly celebrations of Tito's birthday, the Slovenian delegation at the Yugoslavian Youth Conference in Belgrade, which took place prior to the Party Congress, had, as they put it, felt "we were almost no longer in our own country."

A cause for particular concern to the Slovenians is the growing link between Serbian lust for hegemony and centralist inclinations of the communist hierarchy. Since the Serbian leadership has succeeded in mobilizing federal power for the practical elimination of the autonomy of the Kosovo region, the desire for such an intervention in Slovenia as well appears to be growing in certain circles in Belgrade. To be sure, this could prove quite difficult, but the anti-Slovenian campaign has already resulted in the Slovenians appearing as outsiders in the federal organs and their proposals receiving almost no consideration. As in Kosovo, the question is raised of what the Serbian-centralist zealots really hope to achieve in Slovenia. Do they want to reeducate the Slovenians, so that the work tempo of the latter approximates that of the Serbians and Montenegrins? With eight percent of the Yugoslavian population, Slovenia produces 16 percent of the national product. It accounts for 26 percent of Yugoslavia's total exports and 32 percent of exports to countries with convertible currencies.

According to the new hard currency law, Slovenian enterprises must hand over all foreign currency earnings to the central finance office and laboriously try to obtain permission from Belgrade for imports, with the Yugoslavian national bank first intentionally delaying payments, so that many a Slovenian business is obliged to pay penalties incurred through no fault of its own. Any connection between exports and imports is severed in this system, as it is explained in the Slovenian Chamber of Commerce, and therefore the incentive to export disappears.

Anti-western and xenophobic reflexes appear to be admixed in the anti-Slovenian campaign in Serbia. According to a Slovenian discussion partner, it seems that the Slovenians are being treated as a substitute for the actual "chief enemy, Croatia" in the western part of the country, which at the present time does not quite dare to venture forth, so that the latent anti-Western and anti-European reflexes can be worked off on the Slovenians. Official Yugoslavian foreign policy also causes the Slovenians some difficulty, since this policy has under Bosnian secretary Dizdarevic once again completely come around to "non-alignment" and appears to regard Europe only as a wailing wall before which the country can complain of

"discrimination" and thereby draw attention away from its own lack of competitive ability. The Slovenians are also the object of envy because of their location on the border.

Dogmatic communist functionaries are annoyed by the fact that democracy has made greater inroads in Slovenia than elsewhere in Yugoslavia. It is difficult to compare conditions such as those existing in Bosnia or in Kosovo with those in Slovenia, and this is felt to be true in Slovenia as well. The slogan of "Europe" plays a role in this question as well, although it must be said that intellectuals in Serbia and elsewhere as well support the democratization process and are, for example, in favor of eliminating the so-called "verbal offense" in the penal code. Because of national considerations, contact between Slovenian and Serbian intellectuals has become more difficult.

#### Against "Economic Warfare"

There are different views in Ljubljana as to the way in which Slovenians should react to attacks from the eastern parts of the country. In the Chamber of Commerce, it is felt that Slovenia should pursue its interests more vigorously, because if this is not done, other interests and viewpoints would only assume greater importance in terms of the country as a whole. Slovenia must, it is felt, defend itself against the signs of an open "economic warfare" such as is carried out, for example, by the national, but Serbian-dominated, airline against the Slovenian Adria Airways and in general against Slovenian transportation interests.

What kind of conditions are these, when high Slovenian functionaries in the cockpit must personally intervene, so that the pilot of a JAT airline arriving home from New York can carry out a scheduled stopover in Ljubljana? It seems that the present leadership of Slovenia prefers to maintain a fairly low profile, in order to prevent Slovenia from ending up in total isolation.

12792

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SOCIOLOGY

BULGARIA

# WORKERS' PSYCHOLOGICAL FEAR OF MODERN MACHINES ANALYZED

Sofia NARODNA KULTURA in Bulgarian 13 Jun 86 pp 1, 4

[Article by Zhivko Ganchovski: "The Intellect - Between the Machine and the Hand"]

[Text] There is hardly any sensible person who is not aware of the crucial role of the scientific and technical revolution for the future of the nation and state. Essentially, however, the revolution will be both technological and social. Therefore, it will raise a number of questions which will have to be answered quickly and will create some contradictions which frequently turn out to be unknown. That is why the sooner we understand the phenomena in depth and prepare to take their features into consideration, the more painlessly and without stress we will be able to advance. These thoughts were expressed in the course of a discussion organized on the initiative of this newspaper with plant psychologists and sociologists and trade union managers from Varna. A large number of trends and views were expressed, for which reason I shall try to sum up some of the statements and quote the people who raised the questions.

Let me begin with the thought expressed by Khristo Tsvetkov, labor organizer at the Devnya Chemical Combine: "The problems of the scientific and technical revolution were not discussed within the system of the Scientific and Technical Unions or the BAN but at the party congress. This indicates that they are social as well. We must seek the social aspect of any applied technology, as it is reflected within and outside the collective. Some economic managers, however, emphasize technical improvements, forgetting that the attitude toward the people could be much more profitable as the end product. A suitable example in this case is the shop for mixed fodder, which we opened at the combine. Specialists are considering technology exclusively, without thinking how the machines have been set up, the color of the shop's walls, where will the workers relax, and so on. We must not consider that the scientific and technical revolution is a matter for the technocrat."

It is hardly necessary to discuss this problem. Socialist society is a harmoniously developing society, and any type of neglect of one of its systems hinders the others. Technical progress cannot be achieved without proper education or if social interrelationships are inconsistent with production interrelationships. Another example is the fact that some professions are

disappearing, manpower is being released and such people must be retrained and directed into other types of production. How will this be accomplished if it is considered from the technocratic viewpoint, if we are not prepared for changes in the way of life? It is important to realize that no one remains indifferent to the reorganization of society and that everyone is affected by the dynamics of processes, directly or indirectly.

I recall the term "foolproof" (this means that the machine must be designed in such a way that even the most ignorant worker could use it without damaging it), invented by American engineers. It clearly reflects the man-machine-man interrelationship. I believe that one of the major distinctions between our view of this interrelationship and the one in the West is found here. We must not allow man to become an appendage to the machine and be considered as an imperfect mechanism which cannot be trusted. On the other hand, however, complex equipment handled by untrained specialists and workers will not only fail to yield the expected output but will also adversely affect the mentality and mood of the people. Irina Misheva, secretary of the okrug BPS council, provided a suitable example: "A phenomenon occurring in agriculture is the fact that milking machines are not being used and milking is done manually. The women have not been properly trained and they are afraid of damaging the machines. Consequently, this is a case of a faster development of technology inconsistent with the skill of the serving personnel." Here is the view of Plamen Iliev, sociologist at the G. Dimitrov Shipyards: "About 50 percent of the firm's workers have grammar school or not even grammar school education. The problem is how to 'retool' the combine with such cadres. New equipment will be installed but the worker has become accustomed, metaphorically speaking, to use the heavy hammer. Looked at from another viewpoint, why is it that this collective has such a low educational standard? Did someone deliberately choose such people? No, simply at the present stage production requirements themselves determine the need for such cadres. We notice a lack of unity between the objective and the subjective factor."

Let us compare the scientific and technical revolution with the growth of a tree. In order for the tree to become strong and yield abundant fruit, it must have strong roots. People are the roots of the scientific and technical revolution. I do not wish to sound like a pessimist, but deep within me I believe that today it is much easier to install equipment than to change the awareness and attitude toward public labor. Let us be realistic. If we mount the ladder from the doorkeeper to the...general director, at each rung we shall discover cracks, something crumbling, some shortcoming. Yet the rungs are numerous. Suffice it to mention the fact that machines worth millions of leva remain under lock and key for years, unused, and then written off. Here is an example cited by Plamen Iliev: "There are a number of railroad tracks maintained manually at the port, and the work is very hard. Young people find in a warehouse a machine for grinding rocks. They wait for the warehouse to open and take the machine out. The warehouse manager arrives and raises a scandal: Why are they using this equipment without permission, why are they violating procedure? The young people try to prove to the corresponding managers the use of the machine but...after awhile everything remains as it was.

The easiest thing would be to say that we are relying on such young people.

However, would they give up tomorrow and, carried away by the current, turn into more warehouse managers? Here is another example which is hard to quality. It was mentioned by Sasho Stoyanov, sociologist at the Construction-Installation Combine in Varna: "In frequent cases a brigade will damage a machine in order to do the work manually. Manual labor is paid higher!" Is this modern Luddism or...? I am certain that talking to such people would be useless. However, there is something else as well. At the upper levels of economic management something has gone wrong when we have reached such bureaucratic absurdities that manual labor is paid higher wages during the scientific-technological revolution. Naturally, workers would be dissatisfied by earning less if they use machines. Unfortunately, such absurdities are not isolated cases. The interest of the worker and the specialist is not being stimulated, but that type of work is essentially inefficient.

Let us go back to the beginning and compare two attitudes concerning social labor. Sasho Stoyanov: "The attitude toward social labor is the sum of a number of factors. First is the level of the equipment; second is the education of the people; third is the material and moral incentive; and fourth is the organization of labor. Young workers try to enter enterprises which provide them prestigious and technologically saturated professions. They avoid traditional activities (such as construction) in which manual labor is basic. We can even speak of professions which are withering away. I believe that technical retooling must take place in all sectors but, above all, in areas which are of social significance and in which manual labor predominates." The other view is that of Dobrinka Radeva, organizer at the Organizational Department of the BPS Okrug Council: "Some enterprises give the old clothing and worn-out tools to the young workers, who are given the most unpleasant and low-paid jobs. Such workers become disappointed and leave. This fact is not 'noticed' by the management." We frequently accuse the young of unwillingness to work without realizing that they are the bearers of the revolution and its most loyal supporters. No one who has been trained to service, produce or develop complex equipment will take up the pick and the shovel. The paradox, however, lies in the following: 'squeezing out' the young specialist and assigning to him responsible tasks based on his education and skills, department and enterprise managers restrain him. Are they afraid of a generational conflict? The conclusion may be formulated as follows: a great deal depends on the managers in avoiding the development of a negative attitude toward labor, attracting and uniting the people rather than repelling them. Many highly skilled workers and specialists who could service and apply complex equipment leave because of conflicts with managers. They leave because of individuals who continue to think in obsolete terms and who, in order not to lose any of their authority, suppress those who are more able and more knowledgeable than they are."

Let me express some considerations based on the example of the milking machines, or, more specifically, fear of technology. This is indicative, for there are many who are afraid of machines, who are short of skill and ability and the confidence that they would be able to maintain the machine in excellent condition. With the old technologies manual labor played a great role and a person whose concept of labor is related to his direct participation finds it difficult to adapt to the new circumstances. He must leap across a major

mental barrier and surmount his own fears. I have noted at the D. Blagoev printing combine the attitude of an automatic machine which counts and bundles newspapers. Two or three such machines could replace the entire shop personnel. For a long time, the machine could not be "mastered," as the result of which the following comical situation has now developed. The machine works for awhile properly, after which it breaks down and all workers start binding manually. It turns out that man wins over the machine through his inability to use it, being short of skill or a proper mental attitude. The question I ask myself is the following: Should we mandatorily install equipment where there is no one to service it? Is the most important thing not to begin by developing objective conditions for mastering its use?

Finally, I would like to formulate two important problems to society, which were outlined in the discussion. There are those who believe that the use of highly efficient equipment will mean a lack of jobs. It was said that the scientific and technical revolution is not technocratic and that its social consequences are taken into consideration. Irina Misheva explained the thinking of this problem in Varna: "A program has been drafted on the need for various skills through 1990, based on the features of economic development. We are anticipating the opening of new jobs for workers whose skills will gradually become unnecessary. They will master a second and third skill and the standard of skills and education will be enhanced. This will avoid any gap between manpower needs and job training."

This is good but a great deal remains unclear: How will the mechanisms work which enable people who have been in active contact with equipment to unburden themselves mentally or develop "compensation mechanisms"? Culture was indicated as one of the principal means. In more specific terms, this means the restructuring of cultural activities so as to meet such requirements. The time has come for many of our old concepts of cultural organization and dissemination to change. In other words, the scientific and technical revolution will demand a culture consistent with it in terms of power and enhancement of feelings. Perhaps we will have to consider in the future the question of "mental hygiene?"

Some of the conclusions based on the discussion may seem excessively complex. Personally, however, I am convinced that since such problems concern the people, if they are considered and discussed, it means that ways are being sought and that work is being done willingly and intelligently. It is much more easy to paint a cheerful picture than to formulate and resolve problems and take into consideration the twists and turns of life. This, however, must be done.

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CSO: 2200/145



SOCIOLOGY

BULGARIA

APPEAL TO MASS MEDIA FOR PRESERVATION OF LANGUAGE PURITY

Sofia NARODNA KULTURA in Bulgarian 20 Jun 86 p 2

[Article by Khristo Radevski: "The Language: The State Must Intervene!"]

[Text] Let me admit that I am writing this note at the request of the editors of NARODNA KULTURA, who asked me to participate in a discussion on our language. I am not all that convinced of its usefulness, however. The reason is that for a number of years we have been discussing, both seriously and superficially, the question of linguistic purity and its usefulness of it has been nil, for those who are concerned with the beauty of our language are struggling for cultured speech without any critical prompting. Those who are not interested in spoken or written standards read no articles on the subject of language or, if they do, as the saying goes, it enters one ear and goes out of the other. The saddest and most hopeless thing is that a tremendous percentage--I have no figure in mind--of writers and journalists use the language carelessly and, it appears, this has always been the case. I remember a joke about Hugo. He quarreled with a journalist for some reason, perhaps linguistic; the journalist considered himself insulted and challenged Hugo to a duel. Hugo answered that according to the rules he had the right to choose the dueling weapon and he chose the French language. "Since such is the case," he said, "consider yourself killed on the spot."

If we discuss the beauty of the language we must begin with spelling. Immediately after 9 September 1944 a large commission was set up for the purpose of suggesting spelling changes. Linguists prevailed in that commission and imposed a maimed spelling which to this day is moving on crutches. In this case I will stick to the point. I will only recall "Bay Ganyu," Aleko Konstantinov's famous story. In the clutches of the linguists, it was converted into "Bay Gan'o." This applied to all male names ending in yu: Kolyu, Kunyu, Vutyu, Krustyu, which assumed a vocative declination: Kol'o, Kun'o, Vut'o and Krust'o. Why? For no reason.

In their linguistic requirements, some of my fellow writers announced that they saw nothing irregular and that the language was developing normally. This meant that there is nothing to worry about and interfere with its proper development. Others suggested some legal steps and others again believed that although dissatisfied with the current situation with our language, we shall never go back to the way Father Vlaykov, for example, spoke.

Let us not disturb the tranquillity of those blissful writers who believe that everything is in order. Let them swim blissfully down the current if that is what they like. As far as legal steps, they would presume some kind of type of administration, which would be most unsuitable in the linguistic area, for there is no law that will force a Bulgarian from the eastern part of the country to pronounce ya as though it were an e in some words, such as mlyako [milk], khlyab [bread] and others, or a Bulgarian from the west to do the opposite. (The link between these two pronunciations was the letter e-dvoyno, which could be pronounced either way. However, some wise guys eliminated it). Nor can the law forbid some ugly words or expressions, which are not considered personal insults. In this case knowledgeable authorities must make wise decisions consistent with ripe changes in the language, which must be skillfully and systematically clarified. A law can be passed only for the appointment, through competition, of highly literate editors, when the Bulgarian speech is involved. About this, later.

The view that we cannot go back to the language of Father Vlaykov means wrongly interpreting the call for learning from our mature authors of the past. Naturally, we must not automatically return to Father Vlaykov's language. Nor should we return to Botev's language. Who will say today "grandfather's slavschoy's granddaughter." Or what poet would write something like "listen to it, mother's child." Today even abbreviated words which abounded in the poetry of magicians of the Bulgarian speech such as Yavorov, Debelyanov, Podvurzachov, Lilev, Smirnenski and others are no longer used in poetry. They are considered obsolete.

The problem is different. Today's writer must be able to preserve the entire wealth of the linguistic fund we have inherited from our predecessors and to enrich it with our contemporary language, which is developing and giving birth to new names and expressions. Yes, he must precisely enrich it rather than impoverish it. At the same time, he must fight for the purity of the modern language the way they struggled for its purity in their time. It is not a question of going back to what is obsolete. In this case, a worthy heir of beautiful Bulgarian speech cannot fail to shudder at the verbal monstrosity "svinekompleks" [hog-breeding complex], which consists of the Bulgarian word svinya [hog] and the Latin word complex. This is merely one example. Meanwhile, today our language is crowded with such parasites which have made it severely ill.

Open any printed publication and listen to what is being said on the radio and television and you will see how impoverished and uglier Bulgarian speech has become compared with the vocabulary of Ivan Vazov, Pencho Slaveykov, Zakhari Stoyanov, Elin Pelin and Yordan Yovkov. However, the tremendous majority of us have become accustomed to this kind of speech and we do not react to it. We are like someone who comes into an unaerated room and at first is hit by the stench but then becomes accustomed to it and considers it normal. The trouble is that those who do feel the smell, who are fighting for the purity of the language, are immeasurably fewer than those who pollute it. That is why the struggle is uneven, for those who care for the purity of the language are dealing not only with the mass of semi-literate people but also the tremendous army of careless editors who look over the printed work or the language used on radio and television.

In practical terms, I think that we need here the energetic intervention of the state. However, this must be an intervention provided by truly literate people rather than indifferent bureaucrats or prejudiced scientists. I consider such intervention, as the economists say, to follow two main directions: to be directed at schools and editors. In the schools, through which literally all young people go from the first grade to completing their education, particular attention should be paid to grammar, pronunciation and the purity and beauty of Bulgarian speech. Instead of directing the students from an early age to write poetry, they must develop a taste for beautiful Bulgarian speech. To accomplish this, however, teachers must be very knowledgeable and have a feel for the language. They must be well trained in the higher institutions. This will be a long and complex process but, in my view, this is what we must begin with.

Let us speak of the editors. Editorial positions should be held only on the basis of a competitive examination in the Bulgarian language rather than on the basis of whom you know, friendship or any other considerations. If such editors edit all of our publications, writing will become more literate and radio and television broadcasts will be on the level of beautiful Bulgarian speech. We must profoundly realize that these political and artistic propaganda bodies are an irreplaceable school for mass literacy, for such an editor will not allow a semi-literate statement or a song with improper lyrics. The editors themselves will not faultlessly consider using linguistic stupidities such as "in such a connection," "more so," and so on.

In order for all this to be accomplished, time, patience and persistence are needed and, above all, understanding. However, I am afraid that I will be proving Debelyanov's two lines:

"Are you listening or wool gathering?"

"I am listening, I am listening. Go on."

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END